

**MINUTES OF SPECIAL
MEETING OF THE COMMISSION**

February 26, 2021

1. Call to Order | Pledge of Allegiance

The special meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:02 a.m. by Commissioner Atul Deshmane. 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 Christine Grant, Commissioner Atul Deshmane, and Legal Counsel Jon Sitkin. Staff attending via teleconference: Steve Jilk, General Manager; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Annette Smith, Director of Finance; Brian Walters, Assistant General Manager; Duane Holden, Director of Utility Operations; Paul Siegmund, Manager of Automation and Technology; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; Alec Strand, Project Manager; and, Traci Irvine Accountant I.

Public attending via teleconference:

Carryn Vande Griend, PSE
Rick Maricle, Citizen
Lauren Turner, Phillips 66
Max and Carol Perry, Citizens
Eddie Ury, RE-Sources

2. Approval of Agenda

Commissioner Murphy requested he wanted to add a discussion on the general manager position under new business. Legal Counsel Jon Sitkin stated that because this was a special meeting and the Commission is limited to current agenda items that they might take action a new agenda item can't be added to the agenda because no prior notice was provided. No approval is required for the February 26, 2021 agenda but there are changes to the agenda. On February 23, 2021. Under Old Business 4a there was to be a presentation by The Energy Authority which has been rescheduled to March 9, 2021. 4a now will be a "Staff Update on Energy Resource Activities. Under 6. General Manager Report, 6a there will be an update on the Governor's budget amendment regarding adjudication/settlement in the Nooksack Basin. No approval of the February 26, 2021 agenda is required.

3. Approval of Consent Agenda

Commissioner Grant requested a correction to the minutes of the February 2, 2021 Special Meeting under the discussion of Municipalization page 3, paragraph 5 deletion of text "*and a lot of information is not available.*" Grant stated that there is all kinds of information available for the rule making process through the UTC and the information is still being transferred into digestible information for the general public.

ACTION: Commissioner Murphy motioned to APPROVE THE CONSENT AGENDA OF FEBRUARY 26, WITH AMENDED FEBRUARY 2, 2021 MEETING MINUTES AS CORRECTED. Commissioner Grant second the motion. Motion passed unanimously.

Claims of February 23, 2021:

| VENDOR NAME | AMOUNT |
|----------------------------------|------------|
| ARBITRAGE GROUP INC. | 2,000.00 |
| ASSOCIATION OF WASHINGTON CITIES | 500.00 |
| BIRCH EQUIPMENT COMPANY | 5,558.02 |
| BONNEVILLE POWER ADMINISTRATION | 775,601.00 |
| BRIDGEVIEW AUTO PARTS | 31.51 |
| BROWN & KYSAR, INC. | 30,895.25 |
| BROWN, LARRY CONSTRUCTION | 10,220.70 |
| CENTRAL WELDING SUPPLY | 286.15 |
| CLEARING UP: NEWSDATA SERVICE | 1,543.54 |
| COMCAST | 184.92 |
| CULLIGAN NORTHWEST | 79.99 |
| ELECTRIC POWER SYSTEMS - EPS | 186.00 |
| FEDERAL EXPRESS | 6.98 |
| FERNDAL ACE HARDWARE | 32.59 |
| GATEWAY CONTROLS | 18,446.39 |
| GRAYBAR ELECTRIC COMPANY, INC | 293.43 |
| GUARDIAN SECURITY SYSTEMS, INC | 211.58 |

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|--------------------------------------|------------------------|
| HARDWARE SALES, INC. | 196.56 |
| INTERNAL REVENUE SERVICE | 16,654.93 |
| IVERSON EARTHWORKS | 12,640.27 |
| IVOXY CONSULTING LLC | 28,269.81 |
| K ENGINEERS, INC. | 490.50 |
| K&L PRESTON GATES & ELLIS | 65,000.00 |
| MURPHY, MICHAEL J | 41.27 |
| NORTHWEST CASCADE, INC. | 118.50 |
| NORTHWEST MUNICIPAL ADVISORS | 15,000.00 |
| PACIFIC UNDERWRITERS CORP INC | 105.33 |
| PAYLOCITY | 360.63 |
| PAYROLL | 179,377.11 |
| PLATT ELECTRIC SUPPLY CO | 44.83 |
| PORTAL WAY FARM & GARDEN | 4.23 |
| PUGET SOUND ENERGY, INC | 3,023.95 |
| SMITH MECHANICAL | 2,407.37 |
| WA FEDERAL VISA CARD MEMBER SERVICES | 1,079.30 |
| WA ST DEPT OF ECOLOGY-CASHIERING | 978.68 |
| WA ST DEPT OF REV PRIVLGE | 244,514.60 |
| WA ST DEPT OF REVENUE | 74,977.70 |
| WASHINGTON ALARM, INC. | 120.44 |
| WESTERN CONFERENCE OF TEAMSTERS | 8,502.00 |
| WHATCOM FARMERS CO-OP | 1,562.69 |
| GRAND TOTAL | \$ 1,501,548.75 |

4. Old Business

a) Staff Update on Energy Resources Activities

Background:

As discussed at previous meetings, there are several factors currently in play, which have prompted District staff to begin investigating the possible acquisition of new energy resources. The sources of supply would not be part of the federal based generation system from which the Bonneville Power Administration supplies 100% of the supply needed to serve the District's electric load. Among the key factors informing this decision are: (1) Forecasts of load growth on the District's electric system. (2) BPA power purchase agreement provisions and rates, and (3) Washington State's CETA legislation.

Forecast of Electric System Load Growth

Staff responding to data provided by its existing retail electric customer and potential new electric load customer has developed a forward load forecast, which projects that significant load growth will occur on the District's electric system over the next several years. Given BPA power and transmission agreement obligations, the District has vetted the forecast with BPA staff and adjusted it based on their input. The electric load growth is projected to begin ramping up the 4th quarter of calendar year 2022 (BPA's FY 2023). The load growth is anticipated to continue through the end of the current BPA power purchase agreement term, which expires September 30, 2028 (BPA FY 2028). This growth is centered in the Cherry Point Heavy Industrial Zone area and includes both existing and possible new customer loads.

For BPA's next rate period (FY 2022-23 or October 1, 2021 through September 30, 2023), the District's electric load is forecast to exceed the PUD's BPA Tier 1 allocation of power. Beginning the 4th quarter of calendar year 2022 (BPA FY 2023), the District's load is forecast to grow another 5-7 aMWs annually (1 annual aMW = 8,760 MWhs). The amount of load growth forecast would dramatically increase the District's exposure to BPA power supplied at Tier 2 prices. Post BPA FY 2024 (ends September 30, 2024), the forecast includes an additional 30 to 300 MWs of load to be added incrementally to the District's system in the Cherry Point area. This amount of load, if realized, presents challenges not only with respect to resource acquisition and management, but also with respect to resource costs.

BPA Power Purchase Agreement and Rates

The electric load served by the District's electric system has been forecast to exceed the District's Tier 1 priced energy allocation available through the District's power purchase agreement (PPA) with BPA, as discussed above. Under the current PPA and in accordance with the provisions contained in Exhibit C to the PPA, the District is currently obligated to purchase the above Tier 1 allocation amount (i.e. Contract High Water Mark (CHWM)) from BPA at the published Tier 2 rate. This obligation extends through BPA's next rate period (FY2022-23) or October 1, 2021 through September 30, 2023. Should the District seek to purchase a non-federal energy resource to serve load during this period, it would still be obligated

to pay for the amount of energy available from BPA at the Tier 2 price. Under such circumstance, BPA would re-market the un-needed energy supply and the District would be required to reimburse BPA for any lost revenue (difference between the sale revenue and what BPA would otherwise have received from the District). Therefore, if the District were to purchase non-federal power to be delivered prior to October 1, 2023, the District risks paying for the new supply plus a BPA lost revenue adder.

The forecast new load growth beginning 4th quarter 2022 will be served with BPA energy supply priced at BPA's Tier 2 rate, which will be determined as of the end of BPA's current rate case and implemented Oct.1, 2021 (BPA FY 2022). The District has an opportunity to revise the amount of load growth to be covered by BPA at its Tier 2 rate, The District has the right under its PPA with BPA to set the amount (aMWs) of supply BPA would provide versus non-BPA resources going forward for BPA FY 2024 through FY 2028, which is the expiration date of the current BPA PPA. If the District elects to add non-federal resource, then the remainder covered by BPA cannot be increased over then remaining term of the PPA. For example, if the District's load growth going forward was 7 aMWs and the District elected to acquire 2 aMWs from a non-federal renewable resource, then BPA would be obligated to cover the remaining 5 aMWs through FY 2028.

Decision Milestone: The District must provide notice to BPA power services by September 30, 2021 whether or not the District plans to serve a portion of the electric system's projected load above the Tier 1 allocation with non-federal energy resources for the post BPA FY 2023 period. If the District does plan to acquire some amount of non-federal energy resources, then the District must revise Exhibit C to the PPA and insert the aMWs of non-federal resource to be acquired in BPA FY 2024 thru 2028.

The large electric load increases (30 – 300 MWs) forecast for post BPA FY 2024, if they occur, would trigger BPA's New Large Single Load (NLSL) policy requirements and subsequent NLSL pricing. As discussed during TEA's first presentation, any existing load increase or new customer load increase in excess of 9.9 aMWs in a consecutive 12 month period triggers a NLSL designation and power to be supplied for that load would be charged at the NLSL rate. Under BPA's current rate period, the PUD's Tier 1 allocated power supply averages approximately \$ 35/MWh. The NLSL rate is approximately \$79/MWh. Unless BPA's current NLSL policy and pricing methodology change, it is likely that the District would pursue non-federal power supply to serve any NLSL load.

Washington State CETA Legislation

The passage of the State's Clean Energy Transformation Act (CETA) in 2019 changed the status of the District's participation in pursuing new renewable and non CO2 emitting energy resources from voluntary to mandatory. Under the earlier State legislation mandating that Washington State electric utilities attain x percentage of renewable energy resources as part of their overall energy supply portfolios (Portfolio standard), a defined "small utility" (less than 25,000 customers) could voluntarily participate or not in increasing the amount of renewables in their supply portfolios. The small utilities were obligated to comply with certain reporting requirements. Under CETA, all of the State's electric utilities are required to comply with the legislated mandates, including small utilities. Reporting requirements for the small utilities are less stringent than for the larger (greater than 25,000 customers), but the overall goal of achieving a 100% clean energy portfolio is mandatory for all.

With the above in mind, the District must plan for a future power supply portfolio that is carbon neutral by 2030 and carbon free by 2045.

District's Current Carbon Exposure

At present due to the composition of BPA's federal power supply, the District is in a great position regarding designated clean energy supply. For calendar year 2019, the District's energy resource supply portfolio (100% BPA) consisted of approximately 94.6% clean energy (both hydro and nuclear). 5.4% of the portfolio was designated as non-specified supply. This was power purchased by BPA to meet shortages in BPA's supply at certain times of year and during certain hourly periods. This was primarily short term market purchases to fill gaps and the sources of the supply weren't always transparent. Supply sources likely included coal, gas, and hydro generated energy. Under the Washington State rules, the default for non-specified energy resource supply has been tCO2 emitting coal-fired generation. Going forward, coal generating resources must be out of Washington State utilities' portfolios by 2025.

However, because coal-fired generation supply is the proxy for the non-specified energy supply means that currently the District has exposure to carbon emissions reduction requirements and potential pricing penalties going forward. Using the 2019 data for the District's fuel mix (energy resource portfolio), the 5.4% non-specified resource is equivalent to approximately 12,762 MWhs (12,762,000 kWhs) of electricity or 1.46 aMWs. At 2.21 lbs. CO2 emissions per 1 kWh of coal-fired generation, the annual carbon emissions generated by this non-specified energy resource supply is approximately 28,076,400 lbs. or 12,733 metric tons (2,205 lbs./ton).

Under CETA, a utility must take into account the social cost of carbon, as part of its energy resource acquisition cost-benefit analysis. For example, if you use a social cost of \$60/ metric ton of CO2 emissions, then the 12,733 tons mentioned above would have a value of \$763,980 and could be treated as a cost adder for the 1.46 aMWs of non-specified resource supplied by BPA or as a value added cost

reducer for 1.46 aMWs of specified energy resource from a renewable energy project. Even though the renewable energy purchase price might be greater than that available from BPA, the value added carbon reduction would have greater social benefit. Also in the CETA legislation and timeline for achieving 100% clean energy supply, there are penalties for not achieving the interim goals within the overall timeline. The current penalty discussed is \$100/MWh of emitting resource supply. Using the District's 12,762 MWhs of non-specified resource treated as emitting generation, the annual penalty fee would be \$1,762,000, if the District's carbon exposure wasn't mitigated.

There is still considerable debate to occur around the carbon issue and who pays for CO2 emissions produced by electric generation and how much is the social value around emissions reductions and the magnitude of penalties for non-compliance. However, as the District's energy resource supply needs increase to match electric system load growth, it is clear that the District's carbon exposure may increase also, unless the District takes strategic actions to manage its power supply in a manner to reduce and eliminate its carbon exposure.

Ruby Flats Solar Project

The District has recently joined the energy supply group Northwest Intergovernmental Energy Supply (NIES). The public utility members comprising the group can jointly investigate and acquire energy resource supply from sources the group elects to pursue.

Six members of NIES, including the District, are currently discussing the investigation of the Ruby Flats Solar project (formally known as the Tucci Solar project). Besides the District, the other members are:

- City of Centralia
- Mason County PUD No.3
- City of Forest Grove - OR
- City of Heyburn - ID
- Northern Wasco PUD – OR

The participating members are in discussion over the scope of work, which NIES's sub-group NEMS (NW Energy Management Services) would complete in doing due diligence for the proposed project. District staff anticipate that a *Specific Resource Investigation Agreement* will be presented to the District's Commission for review and approval in March. The Agreement will include, as exhibits, the scope of work for NEMS and the budget to be shared by the participating NIES members. The current understanding is that the members involved will equally share in the cost of the investigation. Also for cost allocation purposes, the starting assumption is that each participating member will purchase 2 aMWs output annually from the project. At a 15% capacity factor, the 12 aMWs total would utilize 80 MWs of solar panel installed capacity.

Decision Milestones: Over the next several months if the District continues to pursue participation in the Ruby Flats non-federal solar project, there will be several decision points at which contracts to proceed must be approved and executed. These include,

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| • <i>NEIS Specific Resource Investigation Agreement</i> | <i>March, 2021</i> |
| • <i>NEIS Resource Agreement</i> | <i>April-May, 2021</i> |
| • <i>Developer Power Purchase Agreement</i> | <i>Fall, 2021</i> |

Summary Thoughts

District staff is investigating new non-federal energy resources in addition to BPA power supply for its energy resource portfolio going forward. The default is to not investigate and continue to rely on BPA for 100% of the District's energy resource needs through the end of the current BPA PPA, which expires September 30, 2028. The CETA deadline for the District to have a carbon neutral energy resource portfolio doesn't occur until 2030. Therefore, the District could take a wait and see attitude.

However, there are risks associated with the do nothing now approach. Among them are,

- Utility competition for renewable resource supply, which is already underway.
- Cost of BPA power to supply NLSL loads, if they occur on the District's electric system before 2028.
- Lack of experience in energy resource acquisition and resource portfolio management, when it is needed.
- Lead time in putting into place the arrangements necessary to acquire new energy resources; secure transmission capacity to move the energy to the District's system; and the time to permit and build new energy facilities needed to deliver the energy to the load customer.
- The new BPA PPA post 2028 may not be as favorable as the current PPA.

The biggest decision regarding the District's near term energy supply future is whether to give notice to BPA by September 30, 2021 that the District will add non-federal resources to its energy supply portfolio during the period BPA FY 2024 through FY 2028 (October 1, 2023 through September 30, 2028.)

Discussion:

Brian Walters wanted to take the opportunity to update the Commission on some of activities on resources issue that the PUD is currently involved in and to set the stage for what is coming up in the next few years. Walters stated that there are a number of decisions that the PUD will need to make regarding energy supply starting this year. It is a different situation for the utility than in the past. Walters stated that as an employee for 20 years at the PUD, resources planning, resources acquisition, and portfolio management did not require discussion with the Commission because there was little change. Now there will be new decisions that the Commission will need to make.

Walters will discuss the highlights beginning with load forecast. For the first time the PUD has a load forecast that shows significant increases in energy load and the need to acquire supply to meet that load. The need starts as early as the end of 2022. In the load forecast world, the PUD works with the BPA which is a Federal Agency. BPA operates on a fiscal year that starts October 1 of each year and ends in September of the following year. The PUD is on a calendar year and there is reconciliation between a fiscal year and a calendar year that is three months out of sync. It becomes important in load forecasting because the PUD has to be very careful when communicating with BPA. An example: the PUD is communicating with BPA on load growth starting in the 4th quarter calendar year 2022. It is BPA's 1st quarter 2023. The other term Walters uses continually is Average Megawatts (aMW). aMW is an energy term that Walters uses to describe average annual megawatts. One annual aMW equals 8760 Megawatt Hours which is for a one MW load every hour of every day for 365 days a year.

In the case of the first load growth forecast for the PUD's system, there is an average of five to seven megawatts per year and the peak capacity the PUD might see on its system could be as high as 8 to 9 megawatts. The near term load forecast in 2022 is firm. It is a forecast so it could change but the PUD is preparing for it with changes to the PUD's refinery substation. The out year forecast (beyond September 2024) shows a speculative addition of 30 to 300 MWs of load. Regardless if the loads are speculative, the PUD still has to plan for them because of the lead time to develop power contracts and transmission capacity arrangements.

How does the load forecasting impact the PUD's BPA rates? If all the load growth forecast materializes, the PUD would be in the scenario that if the PUD wants the BPA to provide 100% of the PUD's power supply through the end of the current BPA contract, the PUD would be facing three different power rates. The first one is the Tier 1 rate which the PUD is paying now for up to the allocated power the PUD can buy from BPA at cost which is the base rate. The PUD already forecasts, starting fall of 2021, that the PUD will be above the BPA Tier 1 allocation by a small amount. Starting October 2021 it will be 1.6 aMW. The following BPA year it goes up 2.1 MW average. In the next two years, the PUD will see a Tier 2 price. Because of the way the BPA rate works, once a customer goes above the Tier 1 allocation, the PUD will be obligated to pay the Tier 2 rate or seek non-federal power. The good news is that for the next two years the Tier 2 rate is a market index rate and the average cost of power for the PUD for Tier 1 and Tier 2 combined will actually go down. In the future that may not be the case.

If any of the forecast large loads come on line, the PUD will have to pay the new large single load (NLSL) rate if for any of the loads that are larger than 9.9 aMWs. The NLSL rate is considerably higher than the Tier 1 rate. It is a rate the PUD could face, if it does not diversify and purchase non-federal to serve these large loads.

Commissioner Murphy asked if the source of the BPA Tier 1 and Tier 2 will be different and will BPA dictate where it will come from, or does the PUD have input. Walters stated that if the PUD remains with BPA for the Tier 2 load coverage, the PUD does not have a say. The Tier 2 priced power that the PUD would purchase from BPA is power that BPA will acquire wherever BPA can. It will probably be a mix of hydro, gas fired resource and possibly coal and it will be a market rate. If BPA doesn't have enough hydro it will go out and purchase what it can find.

Commissioner Murphy asked if there is different rates for different types of energy and will Tier 2 be a flexible rate for the PUD or will the PUD pay the rate the PUD currently receives. Walters stated that the Tier 2 rate is a market based rate. BPA will look at the Mid C price and will set a range as to where that market price will be. The good news regarding BPA, is BPA sets the Tier 2 rate in the rate case preceding the next two years of the PUD's power purchase. The PUD knows what that rate is and it is fixed for two years.

Walters stated that the PUD has a big decision that must be made by September 30, 2021, regarding Exhibit C of the Power Purchase Agreement. The PUD must decide if it wants to purchase power above the Tier 1 allocation and how much the PUD may want to purchase at Tier 2. Does the PUD want to use all BPA for Tier 2 or does the PUD want to go out and secure a different non-federal resource to serve some or all of the PUD's Tier 2 load exposure. The decision must be made by September 30, 2021 because BPA will put the decision in Exhibit C. The exhibit will show how many average MWs BPA will supply for the Tier 2 load and how much the PUD is going to supply from non-federal power. It is the first opportunity for the PUD to think about eventual diversification of its power portfolio. If the PUD does not think about diversifying at this point, the PUD is locked into the BPA contract until 2028. There

is one small window where the PUD could come back and request to receive power outside of the BPA Tier 2. If the PUD wants a renewable resource or some other resource now is the time to do it.

Commissioner Deshmane stated that the given would be to continue to provide the existing customers with power from BPA. Walters agreed that it is the default position and the PUD could have BPA supply 100 percent of the PUD's power supply through the end of the BPA Power Purchase Agreement term. In terms of BPA's reliability and trustworthiness, BPA will meet the needs of the PUD throughout the end of the term in 2028.

Deshmane asked for Tier 2 load what is BPA's tolerance to forecast variations? Walters stated that there is some tolerance and the PUD is in continual contact with BPA on the forecast side and the PUD can adjust its forecast annually. However, for purposes of how the rate case works, BPA locks in a forecast prior to the rate case and sets what Tier 1 and Tier 2 loads will be. Deshmane stated that it means the PUD must firm its supply arrangement such as solar power regardless of variations, such as weather conditions on the availability of the supply. Walters stated that the Ruby Flats Solar Project is an example. There is variable output and after dark there is no output. The PUD may want to purchase 2 aMW from the project. The PUD is not buying capacity just energy as it comes. BPA will take that energy and the PUD will have to purchase from BPA or perhaps a third party, what is called Resource Support Services (RSS). What RSS does is that BPA will take the variable output, the 2 aMW and over the course of a year, BPA will change that into a 2aMW block and that comes as a cost adder. The variable resource must be firmed into a block and BPA is the default Supplier of services. As an example, RSS for wind is probably in the \$15.00 to \$18.00 per megawatt hour range. If a customer is getting the solar output at a \$35 per megawatt hour range there will also be an additional cost of \$15.00 to \$18.00 for RSS. The delivered power supply for the renewable will be greater than the Tier 1 rate and probably greater, at least in the near term, than the Tier 2 rate. If the PUD looks at the CETA legislation, the goal of the legislation is that all utilities purchase 100% clean energy. The challenge is that utilities may have to pay more for the renewable energy to get it to the PUD's system for load service. It will still be cost competitive, if in the future the PUD faces the social cost of carbon as a cost adder to carbon emitting energy resources.

Commissioner Murphy stated that Walters provided some costs for wind and solar and asked if Walters could provide costs for other energy sources such as hydro. Walters stated that for hydro, the PUD's average cost of supply from BPA is around \$35.00 a megawatt hour and add a few dollars more for transmission. BPA's supply contains nuclear energy as well.

Commissioner Deshmane asked is there are preliminary numbers for the Tucci solar project Walters stated no and that it will be part of the resource investigation. The Horn Rapids Project, which is now online, is a 4 MW project and has a 1 MW battery. The City of Richland is buying all the energy output. The City has data from the first three months (November 2020, December 2020, and January 2021) and they are paying \$35.00 to \$40.00 per MW-hour for the output. This does not include support services from BPA.

Commissioner Grant asked what the PUD can expect from The Energy Authority (TEA) at their next presentation. Is TEA going to come to the PUD with their recommendations? Walters stated that TEA will present options regarding the PUD diversifying its resource portfolio;; what the PUD needs to look at regarding policies to support its resource diversification;; how much risk the PUD is willing to take and; what types of resources the PUD might acquire. TEA will discuss creating a financial committee that will oversee the acquisitions that the PUD makes that are non-federal acquisitions. TEA will discuss the work load and the choices the PUD may have between hiring in-house staff or contracting with consultants.

Steve Jilk asked that when TEA speaks to the work load, will they be able to provide financial numbers if the PUD decides to contract with someone like the TEA? Will they have some idea of what that cost per megawatt hour would be? Walters stated that they may have some ball park figures, but it is somewhat utility by utility specific. It could require follow on work to determine.

Commissioner Murphy asked if the new Electric Utility Analyst position going to be preparing us for the work on BPA September 30, 2021 rate and where the PUD is going to buy for the Tier 2? Walters stated that new position will bring on analytical horse power and will assist Walters in helping with financial analysis, cost benefit analysis, looking at various resources and assist with presentations. If the PUD moves into more programmatic energy services such as energy efficiency or community solar projects, the staff person could help develop the programs. The position will evolve over time.

Commissioner Deshmane asked if there are questions the TEA has for the Commission that would be good for the Commissioners to ponder prior to the March 9 presentation. Walters asked if the questions would be in advance of the presentation or as a follow-up. Walters will follow-up with TEA.

Commissioner Grant asked if the PUD is engaging its electric customer in this discussion and getting any preferences from them as the PUD considers these decisions. Walters commented the customer has not been engaged in the discussions yet, but will be soon. The customer has been heavily engaged on the load forecast piece.

Steve Jilk acknowledged Walters for highlighting decisions that need to be made regarding BPA decisions prior to September 30, 2021. Jilk would like a timeline developed to make sure the PUD can meet the deadlines. Walters will develop the timeline. Walter stated that the hard date of September 30, 2021 means the PUD must make a decision. To make that date, the PUD must be certain it is going to use solar energy and be ready to sign a Purchase Power Agreement to buy the solar output or take a gamble and assume the PUD can purchase for example 2 aMW of solar output starting Oct.1 2023. If the PUD has to go back to BPA there will be significant cost penalties.

Walters commented on the CETA legislation, stating that because of the BPA, the PUD is in very good shape in terms of a clean energy, low carbon footprint. If the PUD stays on BPA, doesn't acquire its own renewables, and the load grows and the PUD buys more and more Tier 2 from BPA or another resource, the PUD will not have control over the resources that are used to serve that additional load. The non-specified piece of the resource portfolio percentage will keep going up which could mean that the PUD's carbon footprint increases and the PUD will have to manage that. If the PUD wants to firm a renewable resource, the PUD may choose not to go to BPA and choose for example an entity such as BC Hydro's marketing arm Powerex. The PUD could ask Powerex to take the output and turn it into a block and ask Powerex what price Powerex would charge the PUD for the block. The problem is that Powerex, as other entities would will be using a combination of short term purchases and real time market to firm up the total firm supply. It will be very difficult to determine what the source of the resource is. Walters stated the source could be primarily clean, but it is a challenge when trying to meet the CETA requirements.

Commissioner Murphy stated that the PUD has used BPA for sixty plus years and BPA has worked well for the PUD. Murphy wants to make sure the PUD has a team that will help the Commission make good decisions regarding power sources for the long term. Walters stated that the expectation is that the staff will be making recommendations to the Commission, but ultimately it will be the Commission's decision. Walters stated he would recommend always keeping the BPA Tier 1 allocation.

Jon Sitkin stated that complying with CETA requirements, the PUD may not be subject to it because the Act is applicable to public utilities that have more than one retail customer. The PUD has Phillips 66 and the PUD serves its own plants, which may not be considered customers. There is an open question if the PUD is technically required to comply with CETA. Jilk stated that he agrees with Jon's observation, but that it is based on the current customer base and could change in the future.

Commissioner Grant acknowledged Walters for the discussion. Grant's background is on the demand side of energy not the load side. Grant stated that with her work with co-ops and other utilities, Grant suggests that the PUD take advantage of any demand side resources that are available to the PUD. Grant suggests that the PUD think about energy efficiency projects that it can take advantage of, and are there any ways the PUD can be flexible on the demand side that can reduce the cost to the customer. Walters stated that because the nature of the PUD's industrial load, it almost forces the PUD to seek energy resources outside of the Whatcom County. Large scale renewable projects are not located in Whatcom County. If the PUD acquired smaller load customers, the first place to look should be locally for small scale resources.

Commissioner Deshmane also acknowledged Walters for the presentation and that it provided good information to the Commission in anticipation of the March 9 TEA presentation.

4b) Update on Governor's Proclamation for Open Public Meetings Act – Counties in Phase 2

Sitkin stated that Whatcom County and most of the state has moved into Phase 2 of the COVID 19. Sitkin and PUD staff will be developing policy on how the PUD should move forward between Phase 2 and Phase 3 once the rules are clear in Phase 3. In Phase 2 there in person business meetings are allowed but subject to many limitations. In the interim, the PUD staff decided to keep the meetings virtual, because of the restrictive limitations such as: the in person meetings are limited to 25% capacity in the PUD meeting room; masks are required; staggered entry and exit to maintain social distancing in the hallways; maintain six foot distance in meeting room which might be even more restrictive than the 25% capacity allowance; cleaning surfaces before and after the meeting; HVAC operating to push clean air in; keep windows open; and a COVID supervisor to keep public in compliance.

Another issue is if the PUD went back to in person meetings, all attendees could not physically be in the meeting room due to capacity restrictions, the PUD would have to provide a meeting place for the overflow. The complexity of the logistics did not seem reasonable. It is up to the Commission to decide, but Sitkin and staff recommend keeping the meetings virtual during Phase 2. If the PUD follows the guidelines, there would still need to be virtual access for those who could enter the meeting room due to capacity restrictions. The policy would address the move from Phase 2 to Phase 3.

Commissioner Deshmane stated that he would like the PUD to continue to provide virtual meetings to allow the public to attend for the foreseeable future because it allows the public, even in Phase 3, to attend virtually if they wish.

5. a) **Approve Resolution No. 787 – Amend the Policy for Employee Compensation for Administrative Employees**

Background: This is a recommendation for the Commission to adopt a resolution amending the District's *Policy for Employee Compensation for Administrative Employees* (Exhibit A). This policy provides guidelines for establishing a methodology for updating and setting salary ranges for all non-bargaining unit employee positions, establishing employee positions and job descriptions for all positions, and information on additional benefits and compensation as offered by the District.

Resolution No. 787 will update the following sections of the *Policy for Employee Compensation for Administrative Employees*:

1) Position Titles and Yearly Salary Ranges List.

To add two new administrative staff positions. In response to the District's Strategic Planning effort in terms of community broadband services and at the Commissions' request, this is a proposal to add the position of Broadband Services Analyst. This position will focus on the District's activities related to expanding access to high speed broadband services for public agencies, residents, and businesses within the greater Whatcom County community in a manner that facilitates accomplishment of the District's strategic goals.

The second position is an Electric Utility Analyst: This position will assist the District's Assistant General Manager in supporting District electric utility system planning and operations. This position will perform studies and analyses regarding integrated resource planning, power supply, transmission, wholesale rates, power and transmission cost estimating and after the fact reconciliation.

2) This is a recommendation for Commission approval of the recommended salary ranges for the two new positions. A set of proposed (and current) salary ranges is listed as Exhibit "B" in Resolution No. 787. The General Manager establishes individual salaries as he/she implements the *Policy for Employee Compensation for Administrative Employees* established and approved by the Commission.

3) The proposed job descriptions for "Broadband Services Analyst" and "Electric Utility Analyst" are listed as Exhibit "C".

Amending the Policy, establishing the two new positions and setting the associated salary ranges for the new positions will allow the General Manager to fill these two positions.

Fiscal Impact: All actions taken by the General Manager to implement the *Policy for Employee Compensation for Administrative Employees* will be within the annual budget as approved by the Commission. These two positions are budgeted for in the 2021 budget.

Discussion

Jilk stated that Resolution No. 787 is amending the policy for employee compensation to add two new positions: Broadband Services Analyst and Electric Utility Analyst, provide the salary range for the two positions. The funding for these positions are in the 2021 budget. The two new positions are the culmination of the discussions around the initiatives in the 2025 Strategic Plan. Jilk stated that the discussion around energy earlier in the meeting highlights the importance of filling the Electric Utility Analyst position. Regarding the Broadband position, there was significant discussion not only in the strategic plan but also last fall in setting the 2021 budget.

Currently the Broadband position proposed funding out of two different funds, the electric utility fund and the industrial water fund. PUD customers have concern about funding that position out of those two funds. Jilk's suggestion is to use the Alcoa reserve fund for the broadband position to cover the cost for this year. Jilk stated that filling the position soon helps the staff and Commission to develop a good plan for what the PUD's broadband services program and potential projects will look like. The plan could also help attract funding either through a revenue based approach or grants to supplement those costs.

Commissioner Murphy requested a discussion on the salary ranges. How did staff come up with the salary ranges? Jilk stated that for all salaried staff there is annual review using sources researched by Ann Grimm. She gets information from WPUDA and the Association of Washington Cities and compares salary ranges to the positions at the PUD. The outreach extends to a number of specific PUDs and the smaller cities in Whatcom County and reviewing comparable positions. Most of the PUD administration staff wear many hats. It can be difficult to compare administrative position at the PUD with an administrative position at, say, the City of Ferndale. As an example, Grimm wears many different hats even though her title is Executive Assistant. The PUD tries to monitor what is happening in the region in terms advertised positions and salary ranges. The staff takes all the gathered information and then reviews the PUD positions. When creating new positions the staff does the same kind of research. Jilk stated that the salary ranges choices are part subjective and part objective. The staff also looked at job advertisements at other organizations where you may be able to find an energy source analyst or energy resource manager position and can review the salary ranges for those positions. Murphy stated that because the PUD is specialized and needs qualified applicants, Murphy understands why the PUD salary ranges are competitive.

Murphy stated that after Walters's discussion, Murphy clearly understands the Electric Utility Analyst position. Regarding the broadband position, Murphy stated he needs the confidence to know the timing is right. Murphy notes the salary range and Murphy understands what the PUD wants to accomplish with broadband but wonders if the PUD is putting the cart before the horse. Murphy explained that the employee will have to get established in the new position, and will the PUD need to hire a firm to provide information to the employee. Is the PUD using money wisely or is it better to hire a consultant who comes in immediately and provides the PUD information and then the PUD hires the broadband analyst? Murphy equated it to a building project, where the builder needs a plan to complete the work. Jilk stated the choices are: a) does the PUD hire a consultant to help the PUD to set the direction. If PUD makes that choice then existing PUD staff will have to manage the consultant and also help the Commission to set the direction, b) does the PUD fill the position and the analyst helps the Commission and staff to set the direction. Jilk's concern is the PUD fills the position and nine months to a year from now the Commission decides that the direction is not the right one for the PUD. Does that leave the Commission the opportunity to take the analyst position and continue to work to provide the opportunity for the PUD to "partner" with other agencies like the Port or City of Bellingham? Or is the position eliminated? The PUD is at a critical position point now and over the next few months to answer the question Murphy raised and that is enough to hire the new position. Jilk does not think the PUD would get level of assistance if the PUD hired a consultant. Before hiring a consultant, the PUD needs to develop a firm direction and then hire the consultant to help the PUD achieve the goals. Murphy stated that it appears the City of Bellingham is going out on its own regarding broadband. The PUD could collaborate with the Port and use Gina Stark to assist the PUD or is the PUD going to stand-alone? The PUD tried to do a broadband project on its own and was unsuccessful and Murphy has concerns about trying it again.

Commissioner Grant agrees with Commissioner Murphy. Grant stated that one of the critical opportunities for the PUD is capitalizing on the strong interest in solving the limited broadband service to underserved areas. There is grant funding from the federal, state and local governments. Grant stated that her concern is that if PUD does not hire a full time employee to assist the PUD, then the PUD will lose the opportunity to bring funds to Whatcom County and the funds will go to other counties. Grant clarified that Gina Stark does not work full time on broadband for the Port. Grant commented that in the job description for the Broadband Services Analyst, the sixth bullet point which states "Prepare applications for funding in response to County, State and Federal *Request for Proposals* for grants and loans related to telecommunications studies and facilities." be moved to the first bullet. Grant also recommended changing the job title to Broadband Business Development Lead. The person hired needs to understand that there is no revenue stream to pay for this position unless they bring in grant funding to build a program that will generate a revenue stream. Grant stated that when she worked in the private sector she was in a business development role where the job would not continue unless you brought the work in.

Commissioner Deshmane stated that the biggest hole in the county's competency is technical expertise with fiber. Deshmane is not suggesting that job description changes to include technical expertise. Deshmane stated that there is a gap in technical competency around fiber engineering and various regulatory challenges like "Dig Once". Deshmane clarified Murphy's earlier comment about the City of Bellingham going alone on its broadband project. Deshmane stated that the PUD does not know exactly what the City is planning and Deshmane will provide an update in Deshmane's Commissioners report.

Jilk commented that the staff would be open to Commissioner Grant's suggestion changing the job title for the Broadband Services Analyst. Changing the title to Broadband Business Development Lead addresses the issue regarding the broadness of what the Commission and staff are looking for in terms of setting the direction for the next several months. Jilk stated that highlighting the focus on the grant funding as a priority may not be in the best interest of the PUD. If the PUD tries to hire staff and the priority is grant funding, Jilk believes the PUD will have difficulty finding qualified applicants. It is important to attract the right applicant if they know their funding is firm and not reliant on grant funding.

Commissioner Deshmane supports the process of recruitment for this position and Commissioners are getting the word out via WPUA and other means. Jilk stated that if there is any legislative action on the two bills regarding PUD retail broadband authority and either one of them get signed into law, the PUD broadband position will become even more competitive.

ACTION: Commissioner Grant motioned to ADOPT RESOLUTION NO. 787 – A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC UTILITY DISTRICT NO. 1 OF WHATCOM COUNTY ("DISTRICT") AMENDING THE *POLICY FOR EMPLOYEE COMPENSATION FOR ADMINISTRATIVE EMPLOYEES* FOR THE PURPOSES OF ADDING NEW POSITIONS OF BROADBAND SERVICES ANALYST AND ELECTRIC UTILITY ANALYST AND SALARY RANGES. Commissioner Murphy second the motion. Motion passed unanimously.

6. General Manager's Report

Jilk reported on the amendment to the governor's proposed budget regarding water rights funding for the Nooksack and Upper Columbia basin. The funding request for the potential adjudication in WRIA 1 (Nooksack Basin) and WRIA 58 (Upper Columbia). The funding request focuses on the Department of Ecology's (Ecology) pre-adjudication work in the two basins. The governor's budget originally included

\$400,000 for the Nooksack Basin based on the County Executives request to support a collaborative process in the basin. The \$400,000 request was reduced to \$250,000. The amended request was brought to the governor by the agriculture community in Whatcom County. This amendment reaffirms the \$400,000 budget, \$200,000 for fiscal year 2022 and \$200,000 for fiscal year 2023. The two main points made by the agriculture community are: (1) not to file the adjudication claims until after 2023; (2) it requires the Ecology to join with the local jurisdictions to file a joint report to the legislature by the end of 2023 as to what the impacts would be if adjudication proceeded. Sitkin stated that his observation is the Commission spent a great deal of time developing the letter on the PUD's position regarding adjudication in 2020. The Commission has had requests from the tribes to support adjudication and requests from other county entities to not support adjudication. The PUD may want to consider taking no action as an option and reiterate what the PUD stated in the past letters. Sitkin stated the inevitably there will be an adjudication and it is incumbent on the PUD to prepare for the adjudication.

Commissioner Grant agrees with Sitkin.

Commissioner Deshmane stated based on his communication with Ecology and from Ecology, is that Ecology is not in the position to reconsider not doing an adjudication. What is important in the next two years is to get as much collaborative work done as possible. One of the barriers to collaborative work is engaging the tribes' natural resources staffs. Supporting the work to occur requires careful communication. The careful communication could be unintentionally hampered by taking a position that would try to delay the adjudication. Deshmane has communicated with staff at the County and the outcome of the discussions is that there is goal setting, high level work and technical work to be accomplished. The technical work is largely underway by work at the PUD, the Ag water board, water districts, and the County which is being supported by tribal staffs. The goal setting work is going to help establish the interest in collaboration at all the local governments and the tribes. Deshmane does not want to take a position on this subject.

Sitkin agreed that unintended consequences are an issue. Engagement with the tribes' natural resource staffs could be affected by the delay of adjudication and echoes the concerns the PUD has heard from Mr. Jefferson during a meeting the PUD had with the Lummi. Deshmane would like to set up another meeting with the affected parties to continue the discussion. Jilk stated that his intent is to contact the Ag community and indicate the PUD's non decision today regarding adjudication and offer the opportunity for him and one of the Commissioners to meet with them as a follow up.

Murphy requested a discussion regarding the General Manager position and asked Jilk to provide his thoughts on Jilk's replacement. There will be no action taken and Jilk will make comments. Jilk stated that timing is important and the Commission needs to start the process. In Jilk's view starting the process is not just going out and hiring a search firm. Based upon all this discussion around energy, broadband, continuing water resource management, the Commission needs to have someone assist them in developing the General Manager's position profile. What does the Commission want the position to look like in terms of skills, experience, etc.? It has to be more than just a job description. The Commission needs to come together and decide what needs are a priority for the PUD. Is it energy management, is it water resource management, or is it more of a general manager? Jilk does have ideas regarding bringing someone in locally that could help you get to that point in a fairly quick fashion (30 days) and then the Commission could start its outreach. Jilk developed timelines a month ago, assuming that the Commission would enter into either a regional or a national search for this position. Jilk stated that it will probably take six months to fill the position once the recruitment process has started. The Commission is not at the point yet to start the recruitment.

Commissioner Murphy asked the Commission and Jilk, if General Manager Recruitment discussion could be added to the March 9 meeting. Deshmane requested that the Commission set up a single topic special meeting for that purpose. Deshmane would like to involve Jon Sitkin. It is the Commission's responsibility to hire a new general manager. Grant agrees with Deshmane. Sitkin clarified that the Commission should have the discussion at the March 9 meeting and decide at that meeting if the Commission wants to hire a facilitator and also set the schedule. Deshmane and Jilk will discuss setting up a special meeting prior to the March 9 meeting.

7. Get-to-Know You

Commissioner Murphy shared his background of being born and raised in Whatcom County and why that made it important to serve the community he grew up in.

This is also opportunity for staff members to introduce themselves to the Commission. This week, Rebecca Schlotterback introduced herself with a brief description of her tenure at the PUD since her hire in 1999 beginning as the Administrative Assistant and moving to more focused work on water supply, watershed planning, and outreach and education on water issues.

8. Commissioner Reports

Murphy – Attended the WUPDA Water Committee meeting. Weather was the biggest concern with the freezing and other winter conditions. In addition, Murphy attended the WUPDA Board meeting. Legislative bills were discussed.

Grant – Met with Seth Vidana, Climate and Energy Manager for the City of Bellingham. Grant, Jilk and Walters will have a follow up meeting with Vidana to discuss Bellingham’s energy supply decisions. Grant spoke with Carryn Vande Griend, PSE, to have a point of contact with PSE. Grant did attend WUPDA Telecommunications and Water Committees, and legislative update call. Grant spoke to Senator Liz Lovett to discuss SB5383 and HB1336. Background on Senator Lovett, she ran on a public internet campaign when she was an Anacortes City Council member and is knowledgeable on the topic. Grant stated that WUPDA looks like it will be supporting 5383 after changes were made, and Senator Lovett thinks it is unlikely that 1336 will pass and 5383 has a better chance of passing. Senator Lovett would love to work with the PUD after the legislative session is over. Senator Lovett suggested that the PUD has a call with her and Russ Elliot, who is the director of the State broadband office because there is going to be funding and connecting underserved areas with funding is a big priority for Senator Lovett. Grant stated that she does not think the Commission needs to make a motion today on SB5383. WUPDA is supporting it, and Grant is supporting it and Grant will follow up with WUPDA

Deshmane – Attended WUPDA meetings as they relate to telecom and energy, and the government relations committee. Deshmane had a follow up conversation with Nicholas Garcia at WUPDA regarding energy matters relating to the PUD’s February 9 Commission meeting. Deshmane would like to have a half or full day meeting with the Commission and Garcia relating to CETA. Deshmane was selected to help on WUPDA’s nominating committee for the next slate of officers. Deshmane had follow up meetings with Port of Bellingham’s Michael Shepard, Don Goldberg and Gina Stark. Deshmane had a discussion with a group of people in Whatcom County who are pursuing privately managed small fiber loops. The group wants to tap into existing fiber loop to provide community neighborhood solutions for fiber infrastructure.

- Water: Deshmane attended a WUPDA event for the retirement of John Kounts.
- Energy: Nicholas Garcia gave an excellent presentation on work that is being done on resource adequacy specifically in the Northwest by the Power Conservation Council. There is a model being developed called Genesis. The model identified something that is not widely understood: there is a significant load loss that could cause rolling black outs in extreme situations. The additional renewables coming on line are going to reduce the loss load probability in the Northwest over the next several years.
- Fiber: Deshmane attended the City of Bellingham Broadband Advisory Committee meeting. The committee focused on a statement of work discussion on what a consultant would do support the committee. The committee focused on fiber, and staff created a statement of work that broadened the focus that will likely include other sources of broadband. Deshmane wants to keep the committee and consultant focused on fiber. Public entities are not the most effective in pursuing sources like wireless or satellites. The public entities can be most effective for long term planning and fiber is long term tool.
- Policy: Deshmane disagrees with Grant regarding SB5383. Deshmane had a conversation with Kitsap PUD and follow up conversations with staff at WUPDA. In an effort to be magnanimous to the telecom industry we may be making a mistake to support SB5383. The substitute bill has veto authority language and there is no precedent in legislative language regarding veto authority. Deshmane recommends supporting HB1316. In Deshmane’s opinion SB5383 weakens the utilities. Grant stated that when she spoke to Senator Lovett, Grant was not lobbying for one bill or the other. The discussion was to learn about the bills.

9. Public Comment

Rick Maricle – Commented on long term renewables to comply with CETA. Existing power supply on hydro, thermal, etc., can in fact follow loads they are serving. Obviously not on a minute-by-minute basis. Wind and solar can’t do that unless there is storage. When the State of Washington gets close to the 100% zero carbon footprint that the wind and solar projects will have to have storage so it can follow 99% of the load. The PUD should only look seriously at those facilities that can cover the entire time with sufficient storage, particularly since the PUD’s load looks like a big block over the hours and the seasons.

10. Executive Session

Executive Session requested pursuant to RCW 42.30.110(1) (i) to discuss potential litigation. The estimated time for Executive Session was sixty minutes. The Commission President indicated that no action was anticipated be taken after the adjournment of the Executive Session. The Commission adjourned to Executive Session at 10:45 a.m.

- The Commission held Executive Session on a separate Zoom webinar platform for privacy, security matters and Open Public Meeting Act requirements.

Executive Session Adjourn

There being no further business for Executive Session, the Commission rejoined the Special Commission Meeting webinar platform at 11:45 a.m.

Discussion after Executive Session:

Sitkin stated that the Commission cannot take action on SB5383 or HB1336 because it was not on the February 26 agenda for discussion or action. Sitkin stated that individually the Commission can send an email either as an individual or an individual Commissioner. Grant stated that she wished she had the information prior to talking to Senator Lovett and it appears that WUPDA has changed its position significantly in the last 48 hours. Grant can reach out to Senator Lovett's office. Grant stated that she is not sure if Senator Lovett would vote against her own bill. Deshmane stated that Lovett is a co-sponsor of the bill. Jilk stated that the Commissioners could individually contact him and then he could send letters to Lovett and others who supported HB1336 indicating that the PUD Commission would continue to support HB1336 and are not in support of SB5383. Sitkin stated that the message needs to be clear that there was no formal action taken by the PUD Commission, but based on prior discussions the Commission has been supportive the retail telecommunication authority but is concerned about the veto authority.

11. Adjourn

There being no further business for the meeting, Commissioner Deshmane adjourned the regular meeting at 11:55 a.m.

Atul Deshmane, President

Michael Murphy, Vice President

Christine Grant, Secretary

APPROVED: MARCH 9, 2021