

**MINUTES OF REGULAR
MEETING OF THE COMMISSION**

April 27, 2021

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 8:01 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; Ann Grimm, Executive Assistant; 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; Jon Littlefield, Electric System Supervisor; and, Traci Irvine Accountant I.

Public attending via teleconference:

Dave Olson, Citizen
Debbie Ahl, Citizen
Lauren Turner, Phillips 66
Jack Wellman, Puget Sound Energy
Rick Maricle, Citizen
Robin Dexter, Citizen
Scott Wallace, Citizen
David Palmer, Pacific Power
Josh Edwards, Citizen
Sue Gunn, Citizen
Caryn Vande Griend, Puget Sound Energy

2. Approval of Agenda

No changes made.

3. Approval of Consent Agenda

ACTION: Commissioner Murphy motioned to APPROVE THE CONSENT AGENDA OF APRIL 27, 2021: THE MINUTES OF THE REGULAR MEETING OF APRIL 13, 2021, AND THE CLAIMS OF APRIL 27, 2021. Commissioner Grant second the motion. Motion passed unanimously.

Claims of April 27, 2021:

VENDOR NAME	AMOUNT
BELLINGHAM HERALD	688.00
BONNEVILLE POWER ADMINISTRATION	751,198.00
BRIDGEVIEW AUTO PARTS	87.46
BRIM TRACTOR COMPANY	57.94
BROWN & KYSAR, INC.	11,391.50
CDW	312.19
CESCO NEW CONCEPT CHEMICAL	331.47
CHMELIK SITKIN & DAVIS	7,080.48
COMCAST	184.92
DIGITAL BOUNDARY GROUP, INC.	15,077.14
EDGE ANALYTICAL LABORATORIES	46.00
ELECTRIC POWER SYSTEMS - EPS	930.00
ESRI	1,627.50
EVERGREEN RURAL WATER OF WA	210.00
FEDERAL EXPRESS	18.90
FERGUSON ENTERPRISES, INC	1,826.13
FERNDALE ACE HARDWARE	57.97
HARDWARE SALES, INC	23.35
INTERNAL REVENUE SERVICE	16,219.62
JOHN DEERE FINANCIAL	268.31
KAMAN FLUID POWER LLC	260.82

MALLORY SAFETY & SUPPLY LLC	278.27
MICHELS POWER	13,767.34
PACIFIC SURVEY & ENGINEERING	4,112.50
PAYLOCITY	146.88
PAYROLL	173,259.39
PLATT ELECTRIC SUPPLY CO	807.58
PUD #1 OF WHATCOM COUNTY	389.47
PUGET SOUND ENERGY, INC	243.97
SOUND WATER SERVICES	4,290.00
VALVOLINE	100.66
WA FEDERAL VISA CARD SERVICES	16,052.03
WA ST DEPT OF REVENUE	74,802.25
WEG TRANSFORMERS USA, LLC	31,545.83
WESTERN CONFERENCE OF TEAMSTERS	8,814.00
WHATCOM FARMERS CO-OP	18.76
GRAND TOTAL	\$1,136,526.63

4. Old Business

a) General Manager Appointment Process Update

Sitkin discussed the need for clarity in the process selection of a recruitment firm and setting up interviews with them. He is concerned that a group meeting would be in open public session; and some applicants may not be comfortable doing this, potentially exposing business strategies, ideas, etc. Perhaps a meet and greet session would suffice? Jilk will report on his discussion with one of the firms, and we received information from Wahkiakum PUD's GM search, which was managed by their legal counsel.

Jilk has decided to step back from the search so he does not unduly influence the District's selection of his replacement. In communicating with Commissioners, Sitkin has asked for clarity in their strategic vision – what they are looking for in the next leader; is it realistic? Funding, staffing, culture, action plans, etc. all circles back to the strategic planning effort from business implementation and budget perspective. Then the final job description, salary range, when finalize, based on Commission direction can be accomplished.

Deshmane asked Jilk regarding his conversation with the Mycoff Fry (MF) placement firm. This firm recommended by Grant and Deshmane to talk to, has extensive experience in placement for executives/high-level management positions in electric utility, both public and private, organizations. The discussion focused on what MF thinks the Commission should be doing, which is taking a look at what is wanted in a new General Manager. Based upon prior discussion with Deshmane, MF suggested reviewing the goals and strategies in the strategic plan, what the vision is, and what type of leader is the Commission seeking. An interim GM was suggested to be brought in to help the Commission set the vision, to “put some reality” on what kind of individual, their experience and a reality check on cost of staffing-up including the cost of developing some of the projects and plans, MF highly suggested taking the interim step. The Commission could start the process now for a permanent GM, but the Commission really needs to look at what their vision is for the next several years.

Deshmane summarized the discussion from the last Commission meeting: The idea of bringing in an interim is a new idea. This method could affect the flow that the Commission would rely on Sitkin and other staff to support the process of using a placement firm. Services of this firm would be to identify the job description and other attributes. Also discussed was the need to revisit the strategic plan. Grant concurred. Murphy said he is unsure of the process especially based on the lack of information. Grant agreed with Murphy and added there is still a lot of work to do, items identified and what the outcome should be.

Deshmane said first discussed should be whether to consider an interim GM, on with discussion of outcomes of what the Commission is looking for and let that drive the process. Grant's concern with MF is that they would not be available until August to begin a full GM search. They could possibly place an interim more quickly. Jilk clarified yes, that there are several semi-retired, retired or available individuals to fill an interim position. The same goes for the Prothman recruitment firm; however, they are not electric utility-focused. Murphy is not against an interim, but he doesn't like the idea that a salary for an interim GM is based on an hourly rate of \$300,000 per year. He feels there are so many things in Whatcom County that need attention and would like to see things studied before a decision is made. There is an obligation right now to our customers, staff and community in moving forward. If the main goal is to be a provider of broadband or power, etc. that is a lot of commitment to the community and these kinds of things should be settled first before hiring.

Deshmane doesn't think the interim GM concept is the way to go. Grant's perspective is that given the delay from MF until August, she suggested going with Prothman as soon as possible. Sitkin added there are many things that the Commission and staff are engaged on in the community. If an interim GM is hired, it could cause disruption to begin new leadership, and then another new leadership starts all over again. Multiple leadership could cause even more confusion. Murphy is a life-long Whatcom County resident and is always thinking about the future. He wants what is best and it would be wise to have a job description or profile beforehand.

Deshmane asked what the requirements are to retain the placement firm. Sitkin said a Professional Services Agreement is necessary and he can try to have everything ready by the next Commission meeting. Grant would like to seek a GM that can maintain business as usual and find new ways to grow and prioritize that benefits the community. A GM who can integrate where the PUD has been and where we are going. The Commission agreed to have a specific agenda item at the May 11 meeting to discuss a preliminary job description.

Jilk suggested that the Commission define what they want in a new General Manager (credentials, leadership, etc.) by developing a profile and then decide on a placement firm. The placement firm can further build the profile to attract the right candidate(s) and keep the Commission organized on the project. Staff will begin working on the Draft 2022 Operating and Capital Budgets in about a month. Between now and November, the Commission will have the opportunity to go through the Strategic Plan and if a new GM is selected within the next four to six months, the new GM can have input into the budget development. Sitkin summarized the tasks set forth by the Commission: (1) concept of hiring a GM via a placement firm, (2) work on the job description, determine what skills, attributes, etc. (3) review the current Strategic Plan in a special meeting. Grant would like to move ahead to plan to hire a placement firm; time is of the essence. Murphy agreed. Jilk said the most critical piece of the timeline is to align it with the development of the 2022 Draft Budget and subsequent years, so the new GM can be involved.

Murphy suggested holding a special meeting for Commission discussion after the recruitment firm is hired. Grant suggested a special meeting/work session would be beneficial to openly discuss the job description, process and integration of the Strategic Plan. The selection of the GM is only one decision to be made, but the discussion around the Strategic Plan and all things the PUD is engaged in, there will be significant opportunities/decisions to carry the PUD forward for the next several years.

5. a) Approve 2020 Financial Report

Finance Director Smith provided an overview of the 2020 District Financial Report. The District's financial policies conform to the Generally Accepted Accounting Principles (GAAP) and the financial statements have been developed in compliance with the Governmental Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.

Smith explained that while the Annual Report provides extensive information, it does not provide a budget to actual comparison of results. The summary financial statement format closely resembles the budget layout and brings the capital costs into the picture. The Phillips 66 pass-through costs for power, transmission and related taxes have been removed along with non-cash expenses like depreciation. The resulting statement provides a more relevant comparison between 2020 and 2019 actual results and the 2020 actual results to the 2020 budget. Highlights:

The COVID-19 pandemic shut down normal business operations in March 2020. The District closed the office to the public starting mid-March and switched to working at minimal levels on-site, to reduce possible illness transmission. Employees were set up with the ability, when possible; to work from home and Commission meetings were switched to an online platform.

On the positive side, the pandemic resulted in little to no revenue loss, and a small amount of unplanned expenses, but was offset by the delay in planned capital and operational expenses.

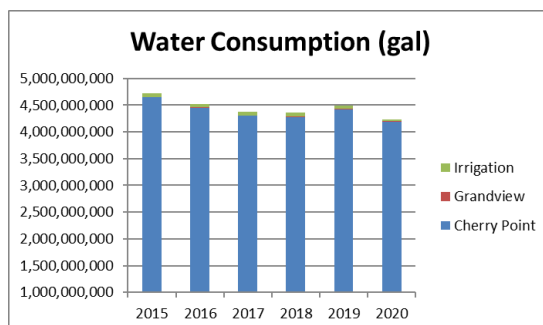
Alcoa completed its curtailment, leaving a small number of employees onsite. In 2019, Alcoa's average monthly usage was over 35 million gallons. At the end of 2020, the overall monthly usage was down to 600,000 gallons. The District did well in 2020 even with all of the challenges.

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	2020	2019	Variance	%	2020 Budget	Variance	%	
REVENUE								
1	Service Revenues - Industrial Water	\$ 9,084,703	\$ 9,119,155	\$ (34,452)	0%	\$ 9,112,881	\$ (28,178)	0%
2	Service Revenues - Irrigation	58,466	85,551	(27,085)	-32%	109,274	(50,808)	-46%
3	Service Revenues - Grandview Utility	256,810	252,933	3,878	2%	259,356	(2,546)	-1%
4	Service Revenues - Electric Utility	2,141,100	2,061,564	79,536	4%	2,141,098	2	0%
5	Misc Revenue	285,213	384,890	(99,678)	-26%	267,808	17,405	6%
	TOTAL REVENUE	\$ 11,826,292	\$ 11,904,093	\$ (77,801)	-1%	\$11,890,417	\$ (64,125)	-1%
EXPENSES								
6	Labor & Benefits	(3,093,043)	(2,881,620)	(211,423)	7%	(2,580,485)	(512,558)	20%
7	O&M Expenses	(1,267,517)	(1,323,856)	56,339	-4%	(2,251,891)	984,374	-44%
8	Administration Expenses	(1,748,753)	(1,695,952)	(52,801)	3%	(1,913,029)	164,276	-9%
	TOTAL EXPENSES	\$ (6,109,313)	\$ (5,901,428)	\$ (207,885)	4%	\$ (6,745,405)	\$ 636,092	-9%
BUSINESS SERVICES/GRANTS								
9	Business Service Revenue	55,301	146,634	(91,333)	-62%	1,080,000	(1,024,699)	-95%
10	Business Service Expenses	(42,559)	(222,372)	179,813	-81%	(1,080,000)	1,037,441	-96%
	TOTAL BUSINESS SERVICES	\$ 12,742	\$ (75,738)	\$ 88,480		\$ -	\$ 12,742	
11	INCOME (LOSS) BUDGET	\$ 5,729,721	\$ 5,926,927	\$ (197,206)	-3%	\$ 5,145,012	\$ 584,709	11%
CAPITAL COSTS								
12	Debt Service	(2,714,370)	(3,451,862)	737,493	-21%	(3,061,578)	347,208	-11%
13	Transfers for Capital Projects	(1,869,300)	(4,100,000)	2,230,700	-54%	(1,944,301)	75,001	-4%
	TOTAL CAPITAL COSTS	\$ (4,583,670)	\$ (7,551,862)	\$ 2,968,193	-39%	\$ (5,005,879)	\$ 422,209	-8%

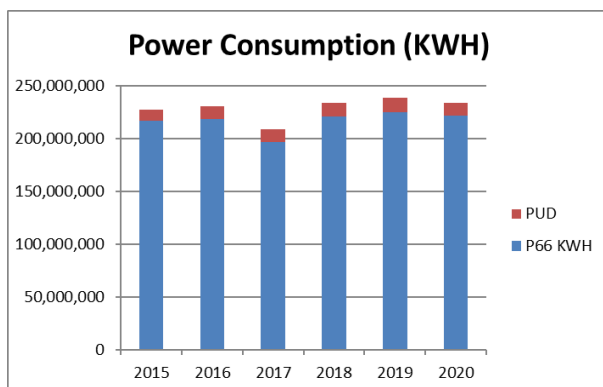
The lines of the statement are numbered and discussed in more detail below:

- 1) **Service Revenues – Industrial Water** – Total water consumption for the Cherry Point area decreased between 2019 and 2020 (4,416,769,405 gallons to 4,193,927,410 gallons respectively, a 5% decrease). The 2020 revenues for Industrial Water slightly decreased from the 2019 revenues due to an increase in rates for 2020 combined with a decrease in consumption. The 2020 actual revenues were just under budget.
- 2) **Service Revenues – Irrigation** – Water consumption for the Irrigation customers fell to 58% of 2019 in 2020. Irrigation revenues are highly contingent upon the amount of rainfall during the year, therefore vary from previous years, and budget more than other services. The COVID-19 pandemic may have also played a factor in the decrease
- 3) **Service Revenues – Grandview Utility** – Water consumption for the Grandview utility decreased slightly in 2020 compared to 2019. The 2020 revenues for the Grandview utility were above the 2019 revenues due to the increase in rates, but came in under budget by 1%.



2020 Average Cost: 1 Gallon of Water - \$.0022

- 4) **Service Revenues – Electric Utility** – this line includes Electric service revenues for District services only (O&M, admin, labor, etc.). The pass-through revenues for BPA power, transmission, and tax costs have been removed from this statement. The 2020, 2019 actual amounts and budget are in line with expectations.



2020 General Service Cost: 1 KWH of Power Sold - \$.009

- 5) **Miscellaneous Revenue** – this line includes any miscellaneous income including late fees, interest income, lease payments, recycle income and any income for in-house projects. For 2020, the majority of the income came from interest income.
- 6) **Labor and Benefits** – this includes all the labor and benefits not associated with capital projects and extraordinary maintenance. The 2020 actual costs came in above both 2019 and budget. This is due to many capital and extraordinary projects not being pursued during 2020, mainly due to the pandemic.

6 LABOR & BENEFITS	2020	2019	Variance		Budget	Variance	
Operations	\$ 1,263,852	\$ 1,207,410	\$ 56,442	5%	\$ 1,278,732	\$ (14,880)	-1%
Administration	1,624,245	1,456,315	167,930	12%	1,082,957	541,288	50%
Commission	204,946	217,895	(12,949)	0%	218,795	(13,849)	-6%
Total	\$ 3,093,043	\$ 2,881,620	\$ 211,423	7%	\$ 2,580,484	\$ 512,559	20%
CAPITALIZED LABOR & BENEFITS	\$ 117,407	\$ 133,306	\$ (15,900)	-12%	\$ 551,292	\$ (433,886)	-79%

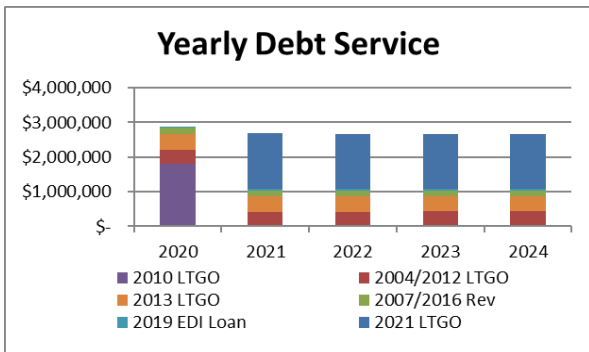
- 7) **O & M Expenses** – this line includes all operating costs, including power costs for the water treatment plants, but excluding power costs passed through to Phillips 66. The 2020 actual costs came in below both 2019 and budget. The 2020 costs fell below 2019 actual costs in services and extraordinary maintenance due to the pandemic. Not only did the District cut back to a skeleton crew after March, but also materials and services needed for maintenance were also harder to obtain. These decreases in costs were offset by a BPA Residential Exchange Program (REP) credit that expired in October 2019. The variance between actual and budget fell mainly in the extraordinary maintenance category due to projects not being accomplished.

7 O&M EXPENSES	2020	2019	Variance		Budget	Variance	
Purchased Power, Chemicals, Water	\$ 844,402	\$ 555,245	\$ 289,157	52%	\$ 641,705	\$ 202,697	32%
O&M services (includes wtr maint, equip rent)	176,312	328,858	(152,545)	-46%	260,486	(84,174)	-32%
O&M materials	146,503	161,231	(14,728)	-9%	239,700	(93,197)	-39%
Extraordinary Maintenance	100,299	278,523	(178,224)	-64%	1,110,000	(1,009,701)	-91%
	\$ 1,267,516	\$ 1,323,856	\$ (56,341)	-4%	\$ 2,251,891	\$ (984,375)	-44%

- 8) **Administration Expenses** – this category encompasses all the overhead, administrative type of expenses. The 2020 expenses increased from 2019, with the largest increase due to the \$140,000 election cost. This was offset by a decrease in outside services (e.g. engineering, legal). Outside services also accounted for the biggest drop below budgeted numbers.
- 9) **Business Service Revenue** – this line includes all of the income from what we term Business Services. The majority of the revenue is from grants the District participates in, but can include outside consulting. The 2020 income came the Washington Department of Fish and Wildlife grant for a groundwater study. Depending on the grant activity, this amount will fluctuate widely between years. The budget included grants for a Regional Water Supply Plan, an electric infrastructure study at Cherry Point, work with Green Apple, and mitigation work on California creek, all which did not occur.
- 10) **Business Service Expenses** – this line includes the corresponding expenses associated with the Business Services. The difference between the Revenue and Expenses is usually due to the timing of reimbursement, but sometimes is due to a lower than 100% reimbursement.

BUSINESS SERVICES/GRANTS	2020		Variance		2020 Budget		Variance
	Revenue	Expenses			2020 Budget	Variance	
Water Supply Plan - WMB	\$ -	\$ 38,132	\$ (38,132)	-100%	\$ 100,000	\$ (100,000)	-100%
Mitigation / Supply Project	-	-	-	0%	680,000	(680,000)	-100%
Cherry Point Electric Infrastructure Study	-	-	-	0%	100,000	(100,000)	-100%
Green Apple Project Preliminary Study	-	-	-	0%	200,000	(200,000)	-100%
WRIA1 WDFW Education/Outreach	-	4,428	(4,428)	-100%	-	-	0%
WDFW Groundwater WC	55,301	-	55,301	0%	-	55,301	0%
BUSINESS SERVICE	\$ 55,301	\$ 42,559	\$ 12,742	30%	\$ 1,080,000	\$ (1,024,699)	-95%

- 11) **Income (Loss) Budget** – This line is the result of revenues minus expenses, but is not a direct reflection of the Operating Income on the Statement of Revenue, Expenses and Changes in Fund Net Position. The Statement of Revenue, Expenses and Changes in Fund Net Position reflects GAAP accounting and non-cash expenses. Line 11 corresponds to the budget and does not include non-cash expenses.
- 12) **Debt Service** – This is the debt service paid annually. The budget included payment on the 2020 bonds, which were not issued until 2021.

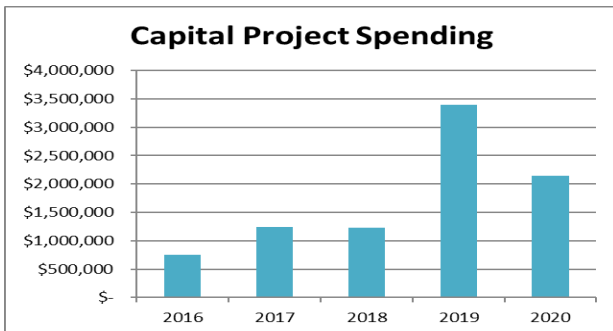
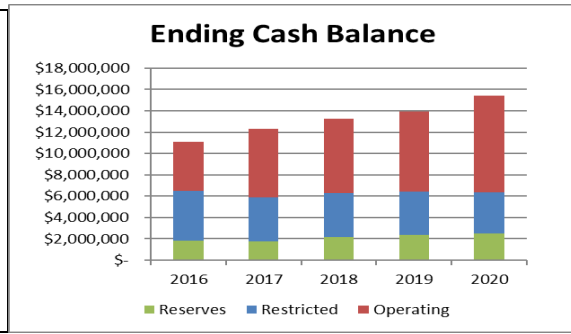


13) **Capital Transfers** – This is the amount transferred over to the Capital funds annually for existing and future capital projects.

CAPITAL IMPROVEMENT PROJECTS		2020	2019	Variance		Budget	Variance
IS15	Communications Backbone	76,191	226,899	(150,708)	-66%	300,000	(223,809) -75%
RW28	Plant 1 Projects	168,845	29,766	139,079	467%	753,488	(584,643) -78%
RW32	Line Extension to Grandview	-	2,346,565	(2,346,565)	-100%	-	- 0%
E6	115kV Transmission Line Improvements	372,642	270,670	101,972	38%	445,594	(72,952) -16%
E22	Ferndale Substation	1,252,440	424,280	828,160	195%	4,400,000	(3,147,560) -72%
E27	Refinery Substation	134,576	-	134,576	0%	250,000	(115,424) -46%
ALL OTHER CWIP		135,873	103,168	32,705	32%	1,072,178	(936,305) -87%
		\$ 2,140,567	\$ 3,401,350	\$ (1,260,783)	-37%	\$ 7,221,260	\$ (5,080,693) -70%

	2019	2020
BEGINNING CASH BALANCE	\$ 13,273,977	\$ 13,909,267
RECEIPTS	23,181,892	21,606,129
OPERATING EXPENSES	15,520,209	15,059,055
DEBT SERVICE	3,625,043	2,884,504
CAPITAL PROJECTS	3,401,350	2,140,568
ENDING CASH BALANCE	\$ 13,909,267	\$ 15,431,269

Includes Reserves



There is no fiscal impact to the District. The Commissioners thank Smith for a job well done on the 2020 Financial Report.

ACTION: Commissioner Murphy motioned to ACCEPT THE DISTRICT’S 2020 ANNUAL FINANCIAL REPORT AND AUTHORIZE THE SUBMITAL TO THE STATE AUDITOR’S OFFICE. Commissioner Grant second the motion. Motion passed unanimously.

b) Award of Bid: 115kV Transmission Pole Replacement Project

Note: Project Manager Strand pointed out an error made on the Action Memo. The numbers for the last three bids *totals* listed Additive Alternate amounts under the total column and should have been placed in the Additive column. Strand has corrected the bid base and additive columns for this presentation. This correction does not change the recommendation on bid award.

Background: The District has received condition reports from its Electrical Engineering Consultants, Electric Power Systems (EPS) on the condition of its 115kV Electric Transmission facilities, poles, conductors, insulators etc. as well as the fiber communication lines. EPS has prioritized the maintenance needs and made recommendations to District staff regarding which poles should be replaced first. In addition, the District has received high definition photographs, collected by flying a drone above the pole structures, under a contract with Eagle Eye Aerial Solutions LLC.

This project was developed based on the recommendations from EPS and Eagle Eye and the budget amount approved for CIP E-6 (115kV Transmission Line Improvements). The District identified 28 H Frame Structures (56 poles) supporting our Transmission lines that require total replacement. The Contractor will provide all required labor, select materials and hardware to complete the work. The PUD

cannot dictate where the materials are purchased.

On April 20, 2021, the District received and publicly read aloud four (4) bids submitted for this project. The Engineer's Estimate for the project is \$460,000.00, not including tax. Totals below include tax. Strand noted that the information provided on the Action Memo under "Bid Total" was incorrect. The *corrected* results with totals are as follows:

Contractor	Bid Total (inc. tax)	Additive Alt. (inc. tax)	Bid Total
FB Titan	\$265,972.09	\$78,860.73	\$ 344,832.82
Michels Power	\$403,689.60	\$105,839.50	\$509,529.10
Magnum Power	\$541,319.52	\$183,187.06	\$724,506.58
Potelco	\$298,293.08	\$96,226.48	\$394,519.56

The FB Titan Bid is the lowest cost responsive Bid and enables the inclusion of the Additive Alternative Bid, which allows the replacement of additional poles and hardware within the budget allowed. This Project funded for 2021 is part of the approved Capital Improvement Projects (CIP E-6) Budget. There is no fiscal impact.

ACTION: Commissioner Grant motioned to AWARD CAPITAL IMPROVEMENT PROJECT TO FB TITAN FOR 2021-115KV TRANSMISSION POLE REPLACEMENT PROJECT WITH A COST NOT TO EXCEED \$344,832.82 (INCLUDING TAXES) AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO SIGN THE CONTRACT. Commissioner Murphy second the motion. Motion passed unanimously.

c) Approve Interlocal Agreement with City of Sumas and Transfer of BPA Energy Efficiency Incentive Funding

Background: The City of Sumas ("Sumas") has exhausted its BPA Energy Efficiency Incentive (EEI) budget for BPA's current two-year rate period FY 2020-21. Sumas has sent a letter to the District requesting the transfer of \$75,000 of the District's remaining EEI budget for the current BPA rate period to Sumas. Sumas requires the additional budget for lighting and other custom *energy efficiency* projects involving two industrial customers, Socco Forest and IKO. Due to BPA stipulations, the EEI budget cannot be used for renewable energy projects and agencies that receive EEI budgets must be BPA customers.

The District's existing Interlocal Agreement with the City of Sumas, which previously enabled the transfer of BPA EEI has expired. In order to proceed with a new transfer of EEI budget to Sumas, a new Interlocal Agreement must be executed between the District and Sumas.

The transfer of BPA EEI budget from one party to the other is memorialized in Exhibit A to the Agreement. Future transfers agreed to by the parties (either to or from Sumas) will be accomplished by Amendments to Exhibit A, as long as the Interlocal Agreement remains in effect. As stated in the Agreement, the transfer of EEI budget does not involve any transfer of actual District funds. It is merely a re-allocation of BPA EEI budget from the District to Sumas.

If the transfer is approved, the District will still have sufficient remaining BPA EEI Program Budget to cover any potential District sponsored energy efficiency projects for the remainder of BPA's 2020-21 rate period, which ends September 30, 2021. There is no direct fiscal impact on the District's 2021 Annual Budget. The District will then receive another budget allocation for BPA's following rate period, which begins October 1, 2021.

ACTION: Commissioner Grant motioned to APPROVE INTERLOCAL AGREEMENT WITH THE CITY OF SUMAS AND THE TRANSFER OF \$75,000 OF THE DISTRICT'S BPA EEI PROGRAM BUDGET AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO SIGN THE AGREEMENT IMPLEMENTING THE TRANSFER. Commissioner Murphy second the motion. Motion passed unanimously.

d) Reject All Bids as Non-Responsive: Refinery Substation Equipment Purchase

Background – The District owns and operates the Refinery Substation serving the Phillips 66 Refinery. Refinery staff expect the need for increased electrical load in the near future and in order to accommodate the increase in electrical load the substation serving the refinery will require improvements to increase the capacity to handle future electric demand.

On April 13, 2021, the District received and publicly read aloud nine (9) bids submitted for this project. The Engineer's Estimate for the total purchase of both transformers is \$1,920,000.00, not including tax. District purchasing guidelines restrict the District from awarding bids which are 15% or greater above the Engineer's Estimate. Out of the nine (9) bids received, five (5) of the bids were rejected because the proposed price for each bid was greater than 15% over the Engineer's Estimate. The four remaining bids were below the 15% cap, but each had *proposed exceptions* to either the District's standard contract or equipment specifications.

Transformer Bids Submitted

Engineer's Estimate: \$1,920,000.00

Bids: Greater than 15% above Engineers Estimate

Contractor	Bid Total (inc. tax)
Siemens	\$2,571,905.70
Weg	\$2,413,439.00
Hitachi	\$2,385,796.00
PTI	\$2,247,000.00
SPX	\$2,228,778.79

Bids: Less than 15% above Engineers Estimate

Contractor	Bid Total (inc. tax)
Mills Electric	\$2,198,495.50
Aubrey Silvey Enterprises	\$1,959,904.00
Anixter Inc.	\$1,931,408.50
Virginia Georgia Transformer	\$1,747,138.00

Based on the review of all bids, staff recommends the rejection of all bids submitted as non-responsive. For the re-bid, staff will consult with the District's electrical engineering consultant regarding the standard contract exceptions proposed by the bidders, the equipment and delivery specifications and modify as deemed necessary. It is the intent of staff to move quickly in modifying the bid package and re-advertising the request for bids for the two transformers required as part of the Refinery substation project. The timeline is critical. Some of the major equipment required has a very long lead-time from placement of the order to delivery of the equipment. It may take longer than 52 weeks.

Sitkin confirmed that refusing all bids is the proper method of response. It was noted that some of the bidders did not take into account where the transformers will be actually be placed - *inside* the Refinery - requires additional transportation, equipment placement via crane.

This Project is funded for 2021, as part of the approved Capital Improvement Projects (CIP E-27) Budget.

ACTION: Commissioner Murphy motioned to REJECT AS NON-RESPONSIVE ALL BIDS SUBMITTED FOR THE SUPPLY AND DELIVERY OF ELECTRICAL SUBSTATION EQUIPMENT CONSISTING OF TWO TRANSFORMERS FOR THE DISTRICT'S REFINERY SUBSTATION PROJECT (CIP-E27). Commissioner Grant second the motion. Motion passed unanimously.

e) Cherry Point Infrastructure Discussion

Jilk provided an update on existing and various developers for projects at Cherry Point ranging from a hydrogen project, solar project, light industrial park, a business park, waste-to-energy project, and possible redevelopment of ALCOA. If any of the projects come to fruition, all will require various elements for the use of electricity, potable water and industrial-grade water from the PUD.

The PUD is working with the Port and County Executive's Office to conduct studies to develop a better understanding on how to best prepare to talk to potential and existing property owners on increasing energy supply, new industrial water connections, potable water treatment plants and potential new demand for broadband services. An application for a joint funding proposal between the three to conduct these studies, estimated at \$300,000 (water, potable water, energy) and looking at sewer/sanitary services would add another \$100,000.

Deshmane thinks local governments need to do more to identify industrial activity that provides jobs and products for the evolving economy. The Cherry Point amendments (from County Council) are identifying what businesses not to attract and should be working on what businesses to attract. There is a lot of work to be done and he embraces local agencies to work together to create economic development. Providing infrastructure is key and permitting should be very transparent.

Jilk added that with infrastructure in place at Cherry Point, sustainable infrastructure and public infrastructure to leverage climate action goals, etc., one of the first steps is to take note of what the public wants, and by holding and making public infrastructure work for the community.

Grant wants to think about budgeting for community-wide planning for the PUD's vision of Cherry Point and how to engage different stakeholders. Grant has connected with Sue Gunn (Climate Impact Advisory Committee) to discuss the work they have been doing and how to integrate this work. Would a presentation from the Center for Sustainable Infrastructure (which has similar goals) would be helpful? The PUD needs to coordinate with other groups on the process and a facilitator might be helpful.

The Port and PUD jointly funded a Cherry Point study in approximately 1998. The purpose of the study was to learn from an economic development perspective, what is the best/appropriate industries/businesses for the location, considering what was available for infrastructure (rail, energy,

water, etc.). The outcome was more of a “site-finding” report to attract certain industries. Perhaps this is a time to ask the community what they want in order to create plans for a public infrastructure opportunity to move forward; and, how to integrate public funding/infrastructure ownership/planning to shape the future of Cherry Point in the next two or three decades – including economic development and climate impact challenges. A joint effort could enhance the interest and support of new projects.

Murphy likes the idea of the PUD being the provider of potable water at Cherry Point. He mentioned a project regarding battery storage as infrastructure and will provide more information in his report.

Grant is interested in an action item to move this forward. Jilk can continue the conversation with the County Executive’s Office and will relay the information from today. Possibly, it can open the door for a public discussion with the County, Port and PUD. The Commission agreed and would like a future presentation from the Center for Sustainable Infrastructure. Murphy would also like to hear from the PUD’s customers on their upcoming plans. Jilk will reach out to the customers, especially on energy services and connectivity.

6. General Manager’s Report

Legislative outcomes that could impact the PUD:

HB1336 was passed by both the House and Senate. It awaits the Governor’s signature for final approval.

SB5383 is the Senate’s version of HB1336. It was passed by the House and Senate with limitations. It awaits the Governor’s signature for final approval. It will be interesting to see if the Governor signs of both them, and what rules will be provided for implementation.

HB1189 passed and is waiting for the Governor to sign. It will authorize the use of tax increment financing and could affect infrastructure funding by public agencies at Cherry Point.

Broadband Funding – it appears there is about \$160 million dollars of state money and some federal funding. Gina Stark from the Port is working on a report to indicate what is available.

Department of Ecology’s operating budget was approved and has about \$1.3 million for the Nooksack River Basin but it doesn’t specify how much funds are for adjudication and local settlement discussions.

7. Commissioner Reports

Murphy

- Attended Energy NW meetings, included a presentation on a battery (energy) storage project equal to that of a 500-watt hour battery unit for electric vehicles.
- Changes at Bonneville Power Administration: Joel Cook takes over as COO and Suzanne Cooper is the new senior vice president of Power Services (replacement for Cook).
- Energy Northwest, Grant PUD and X-Energy are moving forward as the “Tri Energy Partnership” to collaborate and share resources to evaluate their mutual goal of siting, building, and operating a Xe-100 advanced nuclear power plant at an existing Energy Northwest site north of Richland, with the potential to generate up to 320 megawatts of reliable, carbon-free energy.
- Attended WPUA Board Meeting.

Grant:

- Attended the final WPUA New Commissioner Training session.
- Attended the WPUA Energy and Telecom Committee meetings – recruitment is difficult for broadband positions. She mentioned our broadband position opening and difficulties of recruiting. She hopes that word of mouth/networking style recruitment on these positions can generate more interest in the position.
- Discussed some projects with Ray Poorman who owns CSS and San Juan Cable. They discussed funding for broadband and shovel ready broadband projects he has in mind.

Deshmane:

- Hopeful about NoaNet possibilities on broadband – the Port also met with NoaNet, and a possible proposal will be ready for the Commission next meeting.
- He is researching renewable projects suitable for our region, and he has identified two potential solar developers.
- Spoke with Maia Bellon to discuss how to move forward on the water issues and an integrated water plan in our area. Bellon was hired by the County and is meeting with many local leaders in an effort to identify how local governments and the community can work together to make progress concurrent with the adjudication.

8. Public Comment

Sue Gunn commented on her discussion with Commissioner Grant. As a member of the Whatcom County Climate Advisory Committee, she was tasked to write the chapter on industry. Gunn says the greenhouse gases and the point-source industries (ALOCA and the refinery industries) are the greatest issues. BP Refinery is the greatest, single source, emitter in the county and WA State, and she

recommended that BP consider purchasing energy from the PUD in order to reduce greenhouse gases. The response she received from staff at BP is that by 2045, PSE will have to go green. Gunn thought they would want to upgrade to cleaner energy sooner rather than later.

9. Adjourn

There being no further business for the meeting, Commissioner Deshmane adjourned the regular meeting at 11:08 a.m.

Atul Deshmane, President

Michael Murphy, Vice President

Christine Grant, Secretary

APPROVED: MAY 11, 2021

Commission Clerk Note: Video recordings of the Whatcom PUD Commission Meetings are available online at the following link on the PUD's Website: <https://www.pudwhatcom.org/the-commission/2021-agendas-packets-meeting-minutes-recordings/>