

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

**August 24, 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 8:00 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 Zoom 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 Operations; Alec Strand, Project Manager; Paul Siegmund, Manager of Automation and Technology; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; Jon Littlefield, Electric Systems Supervisor; and Devin Crabtree, Chief Water Operator.

**Public attending via teleconference/Zoom:**

Chris Walker, NoaNet	Dave Olson, Water Systems, Inc.
Curt Schoenfelder, Wilson Engineering	Jack Wellman, Puget Sound Energy
Lauren Turner, Phillips 66	Carryn Vande Griend, Puget Sound Energy

**2. Approval of Agenda**

Jilk requested that Broadband Update be added to Old Business.

**ACTION:** Commissioner Grant motioned APPROVE THE AGENDA AS AMENDED. Commissioner Murphy second the motion. Motion passed unanimously.

**3. Approval of Consent Agenda**

Murphy requested to include more information that he mentioned during the Commissioner’s report at the last meeting. Due to other technical difficulties at the time, it was suggested to table the Meeting Minutes of August 10, 2021 and include the correction at the September 14 regular meeting.

**ACTION:** Commissioner Grant MOTIONED TO APPROVE THE CLAIMS OF AUGUST 24, 2021 AND TABLE APPROVAL OF THE AUGUST 10, 2021 MEETING MINUTES UNTIL SEPTEMBER 14, 2021. Commissioner Murphy second the motion. Motion passed unanimously.

Claims of August 24, 2021:

<b>VENDOR NAME</b>	<b>AMOUNT</b>
ARBITRAGE GROUP INC.	1,000.00
BEST TOOLS, INC	74.57
BONNEVILLE POWER ADMINISTRATION	774,748.00
BRIM TRACTOR COMPANY	273.45
CHMELIK SITKIN & DAVIS	14,469.87
COMCAST	184.94
COMCAST - NWRC	25.52
CULLIGAN NORTHWEST	135.51
EATON CORPORATION	578,114.68
EDGE ANALYTICAL LABORATORIES	20.00
FEDERAL EXPRESS	44.70
FERNDALE ACE HARDWARE	74.94
GENEVA CONSULTING	2,400.25
GRIMM, ANN	100.80
GUARDIAN SECURITY SYSTEMS, INC	211.78
INTERNAL REVENUE SERVICE	16,189.83
K ENGINEERS, INC.	1,670.00
KCDA PURCHASING COOPERATIVE	214.04
PARAMOUNT SUPPLY COMPANY	343.74
PAYLOCITY	151.27
PAYROLL	174,881.29

PLATT ELECTRIC SUPPLY CO	544.23
PORTAL WAY FARM & GARDEN	114.68
PROTHMAN	6,500.00
PUBLIC UTILITY RISK MANAGEMENT SERVICES	7,857.30
PUD #1 OF WHATCOM COUNTY	3,476.00
PUGET SOUND ENERGY, INC	511.31
WA FEDERAL VISA CARD MEMBER SERVICES	3,777.65
WA ST DEPT OF REVENUE	76,933.28
WASHINGTON ALARM, INC.	126.58
WEG TRANSFORMERS USA, LLC	491,797.20
WESTERN CONFERENCE OF TEAMSTERS	9,119.50
WILSON ENGINEERING, LLC	205.00
<b>GRAND TOTAL</b>	<b>\$2,166,291.91</b>

**4. Public Comment No. 1**

No comments made.

**5. Old Business**

**5b) Broadband Program Update** (due to technical connection issues, agenda item moved up)

Jilk introduced and welcomed Chris Walker from NoaNet. Walker will be assisting the District as a member of the Port/PUD’s Broadband Steering Committee Staff to support the PUD as a consultant and project manager for the broadband program effort.

**5a) General Manager Appointment Process Update**

Sitkin reported that the General Manager Job Description/Profile as begun its advertisement run with Prothman and on several other recruitment platforms including the District’s website. The ad run just started last week and it is too early in the timeframe to tell what the response has been. The first round of selections for interviews is September 27.

**6. New Business**

**6a) PUD Drinking Water System Plan Update: Water Use Efficiency Goals and Performance Measures and Public Forum**

Dave Olson (Water Systems, Inc.) and Curt Schoenfelder (Wilson Engineering) provided the next step in the update for approval of the District’s *potable water* supply plan. This plan represents the potable/drinking water system for the **Grandview/I-5/Northgate Business Center area**, which is approved by the State Department of Health and Whatcom County. Highlights included:

**Municipal Water Law/Water Use Efficiency**

Washington State Legislature passed the 2003 Municipal Water Law (MWL) to reform the state's water laws, accomplished two things:

- Added flexibility in the use of municipal water rights to serve growing communities by eliminating some of the risk of losing those municipal rights to the state.
- In exchange for this water right flexibility, the law requires municipalities to use water efficiently.
  - The Municipal Water Law (RCW 90.03.015(3)) states that Water Use Efficiency (WUE) requirements apply to all water systems defined as municipal water suppliers (MWS).
  - A Municipal Water Supplier is “an entity that supplies water for municipal water supply purposes.” (RCW 90.03.015) The PUD is authorized to provide water service on a countywide basis pursuant to RCW Chapter 54. The PUD’s authority to plan, maintain, and operate waterworks systems to meet the needs of both private and public users throughout the County is provide in RCW 54.16.030

Municipal water suppliers are required by State Department of Health to prepare water system plans in accordance with WAC 246-290-100 and updated at least every ten years.

- *As part of your planning document you must develop and implement a WUE program* (WAC 246-290-800(2) and 246-290-810(2)).
- *WUE Goals and Performance Measures must be established by the elected governing board or the governing body of the water system* (WAC 246-290-830(1)) *through a public process* (WAC 246-290-830(4)(a) *at least every 6 years.*
- Two Key Components:
  - Supply Side – Between Source and Customer Meters
  - Demand Side – Consumed by the Customers

**Supply Side – Between Source and Customer Meters – Non Revenue**

- Unauthorized Use (fire hydrants or service connections - none)
- Distribution System Flushing (accounted for with flushing meter)

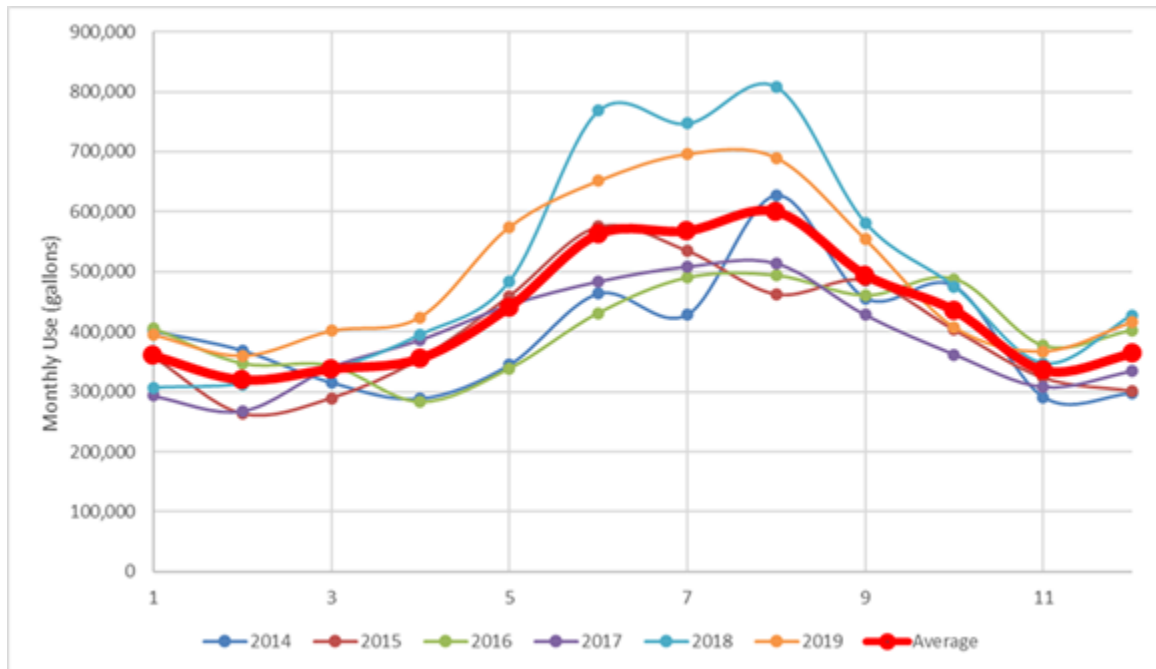
- *Distribution Leakage*: Trending downwards as Table 2-4 illustrates:

**Table 2-4 Distribution System Leakage**

Year	Total Production (gallons)	Total Metered Consumption (gallons)	Additional Other Authorized Consumption (gallons)	Distribution System Leakage (gallons)	Percent Distribution System Leakage
2014	5,121,418	4,758,726	0	362,692	7.1%
2015	5,027,108	4,811,885	0	215,223	4.3%
2016	5,328,730	4,859,305	0	469,425	8.8%
2017	5,012,046	4,669,359	0	342,687	6.8%
2018	6,179,785	5,987,502	0	192,283	3.1%
2019	6,110,824	5,936,103	0	174,721	2.9%
<b>2017-2019 3-year Average</b>					<b>4.3%</b>

**Demand Side – Consumed by the customers through meters**

- Plumbing fixture efficiency
  - Leaks on customer side of meter
  - *Seasonal demand* (process/commercial/outdoor use) [see table below]
- Schlotterback added that in the annual report submitted for 2020, Distribution system leakage three-year average (2018/2019 and 2020) was at an all-time low of **1.4%**. Jilk commented that in some of the earlier years noted above, he could report on specific leaks with individual customers who have asked for assistance to repair them.



**Chapter 4.8.1 Water Use Efficiency Goals (Recommended)**

The PUD conservation objective for the Grandview/Northgate system is to **promote water conservation** in order to maximize current sources. The goals for the planning period are:

- *Maintain 10% or less distribution system leakage (DSL) rate. (2.9% in 2019)*
- *Reduce seasonal outdoor water use by 2 to 3 percent every 2 years, or a minimum of 1 percent per year.*

\* Note: this is somewhat subjective due to unique nonresidential customer base

The following describes the **mandatory and supplemental measures** the PUD continues to or will implement for the Grandview/Northgate system.

Program Measures:

- 1) Source and Service Metering and Meter Calibration:
  - a. **Continue** metering of all customers and sources;
  - b. **Develop** program for meter calibration or replacement where calibration is not warranted.
- 2) Leak Detection and Water Accounting:
  - a. **Continue** to follow System Leak Detection and Repair Protocol which includes notifying customers of high variance water consumption.
- 3) Customer Education:
  - a. **Continue** conservation tips periodically with customer bills.
  - b. **Develop** educational out-reach methods or incentives to lower outdoor seasonal use.

**Public Process:** Grandview/Northgate Customers were notified and could provide comment on the Water Use Efficiency Goals and Measures (WUE) to be submitted by close of business on August 20, 2021. Jilk reported that no comments on the WUE were received.

**Next Steps:**

September 14 Adopt Cross-Connection Control Policy  
Adopt Comprehensive Drinking Water System Plan

Fall 2021 Submit WSP to WA Dept. of Health for Approval  
Submit WSP to WA Dept. of Ecology for Review and Comment  
Submit WSP to Whatcom County for Consistency Review  
Address Comments from Agencies  
Adopt final WSP  
Submit WSP to Whatcom County for inclusion in the Coordinated Water System Plan

The Commissioners thanked Olson and Schoenfelder for the presentation and update.

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

**6b) Approve Resolution No. 798 – Water Use Efficiency (WUE) Goals**

Resolution No. 798 formally adopts the Water Use Efficiency Goals Program as discussed above, and is required for the update to the District’s *Drinking Water Water System Plan*:

*Goals:*

1. Maintain 10% or less distribution leakage rate for the next six years beginning January 1, 2022; and,
2. Reduce seasonal outdoor water use by two to three percent every two years or a minimum of one percent per year.

*Performance Measures:*

- Continue to meter all customers and sources.
- Develop and implement a program and schedule for meter replacement where calibration of meter is not warranted.
- Continue to follow System Leak Detection and Repair Protocol, which includes notifying customers of high variance water consumption.
- Continue water consumption history on customer’s monthly bill.
- Add conservation tips periodically to customer bills.
- Develop educational outreach methods or incentives to lower seasonal use.

Approval of Resolution No. 798 has no fiscal impact to the District.

**ACTION:** Commissioner Murphy motioned to APPROVE RESOLUTION NO. 798 ADOPTING WATER USE EFFICIENCY GOALS AND PERFORMANCE MEASURES FOR THE DISTRICT’S DRINKING WATER COMPREHENSIVE WATER SYSTEM PLAN. Commissioner Grant second the motion. Motion passed unanimously.

**6c) Approve Work Order No. 2 with Murraysmith for Engineering Services**

Walters first provided a brief overview of the *Planning Studies for Capital Improvement Projects (CIPs)* for the Industrial Water System. Previously, Murray Smith and Associates completed the *2010 Water Supply Comprehensive CIP Plan* for the District and determined this summary of improvements:

Water Treatment Plant 1 CIPs	\$30,890,000
Water Treatment Plant 2 CIPs	\$14,010,000
Distribution CIPs	\$44,180,000
Surface Storage	\$29,000,000
<b>Total Cost All CIPs:</b>	<b>\$118,080,000</b>

One result of the 2010 Plan was a total rebuild of *Water Treatment Plant No. 2*, including a new campus of buildings and new settling basins. Puget Sound Energy owned the substation which powered the water plant. The District purchased the substation and did several reconfigurations to better serve Water Treatment Plant 2.

*Distribution CIPs* included installing isolation valves (Douglas and Aldergrove Roads), upgrades to “D” Station and cathodic protection. Other projects included installing a parallel distribution main (Douglas & Aldergrove Roads) and a parallel 36” distribution main from the Intertie to “D” Station, but these have not been completed.

In October 2019, RH2 Engineering completed the *Industrial Water Supply System Capital Improvement Plan*. The focus of the projects listed is reliability of service. The summary of Capital Improvement Projects and Costs:

Water Treatment Plant 1 CIPs	\$40,375,000
Water Treatment Plant 2 CIPs	\$14,010,000
Distribution CIPs	\$45,900,000

Surface Storage CIPs	\$22,400,000
Electric System CIPs	\$ 2,420,000
Total Cost All CIPS	\$123,695,000

A *Murraysmith 2021 Technical Memorandum: Industrial Water Supply System Project Prioritization* included the following: Priority 1: Re-Build of Water Treatment Plant No. 1 (constructed in the 1960s). A three-phased approach is planned:

- Phase 1: Raw Water Main Piping from Intake  
Cost estimate: \$3,300,000
- Phase 2: High Head Pumping, Clearwell, Control/Treatment Facilities  
Cost estimate: \$13,100,000
- Phase 3: Sand Traps, Flash Mixers, Flocculation, Sedimentation Basin Facilities  
Cost estimate: \$20,600,000z

Water Treatment Plant 1 still uses the original substation built in the 1960s with one single transformer to power the plant. Work has begun on a new substation, similar to the redesigned substation at Plant 2, as part of the WTP 1 rebuild. As such, Work Order No. 2 covers Murraysmith’s *Scope of Services* related to design, permitting, bidding, and construction services associated with the re-build of Water Treatment Plant No. 1.

The bidding and construction services portion of the work only applies to Phase I of the Plant No. 1 rebuild. Phase I includes developing the overall facilities campus plan and upgrades to the piping system between the Nooksack River intake facility and the treatment plant on the west side of Ferndale Road. This phase includes work that must be completed prior to the City of Ferndale and Corps of Engineers’ planned project to improve the levee near the intake.

Work Order No. 2 and Murraysmith’s detailed scope of work (SOW) was provided to the Commission for review prior to today’s meeting. Approval of Work Order No. 2 with Murraysmith will have no fiscal impact on the District’s approved 2021 Annual Budget. Any additional funds required will be included in the 2022 budget.

**ACTION:** Commissioner Murphy motioned to APPROVE WORK ORDER NO. 2 WITH MURRAYSMITH FOR ENGINEERING SERVICES FOR A COST NOT TO EXCEED AMOUNT OF **\$1,844,773** AND AUTHORIZE THE DISTRICT’S GENERAL MANAGER TO EXECUTE THE WORK ORDER. Commissioner Grant second the motion. Motion passed unanimously.

**6d) Approve Purchase of Metal Clad Switchgear**

Based on previous District legal counsel’s opinion, “Special Market” conditions exist which enables the District to waive competitive bid requirements and negotiate a purchase agreement with one or more of the suppliers seeking to supply the metal clad switchgear specified for the District’s Refinery substation upgrade project.

On July 27, 2021, Commissioners approved Resolution 795, which waived the competitive bid requirements for the supply and purchase of the switchgear. The waiver was based on (1) No responsive bids received, therefore “no bids” were received from competitive bid solicitations; and (2) Special market conditions exist prompting bidders to submit conditioned bids enabling exceedance of the bid price. Therefore, no firm bids received.

Switchgear Purchase Negotiations - Following the July 27 Commission meeting, District staff and the District’s Engineer contacted switchgear suppliers for the purpose of negotiating a purchase that meet District criteria with respect to price, equipment specifications, and delivery dates. After discussions with several companies, District staff and Engineer settled on metal clad switchgear to be provided by Powell Electrical Systems Inc. (“Powell”). Powell could meet the District’s requirements and deliver the switchgear within the timeline necessary for the project.

The bid proposal includes one condition related to freight costs. Powell has provided an estimated freight cost that is include in the bid price. However, given current issues associated with the shipping industry and the resulting price volatility, Powell has conditioned the freight cost portion of the company’s overall bid price for supply and delivery of the switchgear. Powell has agreed to cap any escalation of shipping costs to 10% of the cost estimate in Powell’s bid. Freight is estimated at \$146,000. Therefore, a 10% cost increase would be \$14,600. District staff feel that the potential increase in freight cost can be managed through a change order at the time of shipping. The more important issue for staff is that the delivery dates for the switchgear committed to by Powell meets the District’s critical path timeline.

District staff recommends the purchase of the specified metal clad switchgear to be supplied by Powell. Under the proposal put forth by Powell, the switchgear will be built and delivered for a firm cost not to exceed price of \$1,643,947.00 (w/o tax). Should an up to 10% increase in shipping costs be justified by

Powell, then up to \$14,600 would be added via change order and the resultant cost maximum for the metal clad switchgear would then be up to \$1,658,547 (w/o tax). As part of the staff's recommendation, a final review by legal counsel, District staff, and Engineer will be conducted before the purchase is executed by the General Manager and the Purchase Order is issued.

This equipment purchase is funded under the District's approved 2021 Budget, as part of the Refinery substation project (CIP E-27). However, payments for the switchgear are phased for different milestones events during the manufacturing and delivery process. Therefore, actual funding for the purchase will span both the 2021 and 2022 budget periods for the District.

**ACTION:** Commissioner Murphy motioned to APPROVE PURCHASE OF THE SUPPLY AND DELIVERY OF 115KV ELECTRIC SUBSTATION EQUIPMENT METAL CLAD SWITCHGEAR FOR THE REFINERY SUBSTATION TO POWELL ELECTRICAL SYSTEMS INC. FOR A COST NOT TO EXCEED AMOUNT OF \$1,643,947 (W/O TAX) AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE PURCHASE AND ALSO CHANGE ORDER, IF NECESSARY, PENDING FINAL STAFF, ENGINEERING AND LEGAL REVIEW. Commissioner Grant second the motion. Motion passed unanimously.

## 7. General Manager's Report

At the next regularly scheduled meeting on September 14, the Commission should plan on the following:

- Executive Session on potential litigation/adjudication
- The first scheduled Commission work session for the draft 2022 budget: With the update to the recent Strategic Plan Initiatives there may be additional direction/items the Commission would like staff to consider in the development of next year's budget.
- Presentation on the Department of Ecology's Grant regarding California Creek. Jilk anticipates he will recommend to not accept the grant due to various reasons.

## 8. Commissioner Reports

Murphy: Has no Per Diem expense requests. Murphy has been working with people with wells who have been experiencing the wells running dry or lack of water. Murphy says there is nowhere for private well owners to turn to for information and assistance. He asked if information could be placed on the PUD's website to direct people where to go for help. Citizens are struggling on their own and Murphy wonders if there is something the PUD can do. He also is fielding questions about the local broadband effort. Murphy would like more information from Commissioner Grant in order to inform citizens of where things are.

Grant: Will have two Per Diem expense requests for attending the Port/PUD Broadband Steering Committee meetings on August 11 and August 25. There are two key themes: Last mile infrastructure and feasibility in forming a public internet service provider (ISP) option. It is not immediate relief but the group is taking tremendous strides in the program. The Port is working on a joint press release on the priority of the broadband program, including rapid deployment, affordability, and building the fiber infrastructure. A joint Port-PUD meeting with staff presenting the detailed plan for moving forward will be determined for a future date this fall. Grant is also making phone calls to her counterparts and others that may be interested in applying for the General Manager position.

Deshmane: Thinks the joint Port/PUD meeting is a good idea and to include public comment. He attended the Watershed Management Board meeting last week, which provided an update to the salmon recovery program. He and Grant attended a small ceremony/photo opportunity for the Northwest Washington Fair's newest exhibit: *Farming for Life*, in which the District participates as a sponsor.

## 9. Public Comment No. 2

No comments made.

## 10. Adjourn

There being no further business for the meeting, Commissioner Deshmane adjourned the regular meeting at 10:52 a.m.

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Atul Deshmane, President

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Christine Grant, Secretary

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Michael Murphy, Vice President

**APPROVED: SEPTEMBER 14, 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/>