

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

October 26, 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 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 Utility Operations; Alec Strand, Project Manager; Jon Littlefield, Electric Systems Supervisor; Paul Siegmund, Manager of Automation and Technology; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; Devin Crabtree, Chief Water Operator; and Traci Irvine, Accountant I.

Public attending via teleconference/Zoom:

Dave Olson, CMI	Jack Wellman, Puget Sound Energy
Bill Colgrove, Citizen	Max Perry, Citizen
Carryn Vande Griend, Puget Sound Energy	Zana Ahern, Citizen
Debbie Ahl, Mt. Baker Foundation	Jamie Douglas, Citizen
Lauren Turner, Phillips 66	Rick Maricle, Citizen
Scott Wallace, Mt. Baker Foundation	

2. Approval of Agenda

No changes made.

ACTION: Commissioner Murphy motioned TO APPROVE THE AGENDA FOR THE REGULAR MEETING OF OCTOBER 26, 2021. Commissioner Grant second the motion. Motion passed unanimously.

3. Approval of Consent Agenda

ACTION: Commissioner Murphy MOTIONED TO APPROVE THE MINUTES OF THE REGULAR MEETING OF OCTOBER 12, 2021, AND THE CLAIMS OF OCTOBER 26, 2021. Commissioner Grant second the motion. Motion passed unanimously.

Claims of October 28 2021:

VENDOR NAME	AMOUNT
APPLIED DIGITAL IMAGING	9.79
ASPEN, INC.	3,200.00
BAY CITY SUPPLY	171.46
BONNEVILLE POWER ADMINISTRATION	830,666.00
BROWN & KYSAR, INC.	14,008.65
CENTRAL WELDING SUPPLY	81.83
CHMELIK SITKIN & DAVIS	11,578.50
COMCAST	294.94
EDGE ANALYTICAL LABORATORIES	20.00
FASTENAL	14.65
FERNDAL ACE HARDWARE	213.80
GENEVA CONSULTING	742.50
GRAINGER	326.37
GRAYBAR ELECTRIC COMPANY, INC	138.70
HARDWARE SALES, INC	9.36
INTERNAL REVENUE SERVICE	15,301.59
LAPLAUNT, DAVID	190.13
NORTH COAST ELECTRIC COMPANY	1,970.21
P&P EXCAVATING, LLC	129,377.24
PACIFIC SURVEY & ENGINEERING	1,537.50
PAYLOCITY	237.68
PAYROLL	177,391.87

PLATT ELECTRIC SUPPLY CO	1,300.78
RH2 ENGINEERING, INC	778.49
TUPPER MACK WELLS PLLC	6,280.00
WA FEDERAL VISA CARD MEMBER SERV	2,117.07
WA ST DEPT OF REVENUE	78,044.02
WESTERN CONFERENCE OF TEAMSTERS	3,835.00
WHATCOM COUNTY EXECUTIVE DEPT	44,332.00
WHISTLE WORKWEAR	108.79
GRAND TOTAL	\$ 1,324,278.92

4. Public Comment No. 1

Dave Olson read a letter of appreciation addressed to the Board about the Kontree Community near West Lynden. (The complete letter is included in the Meeting Minutes.)

5. Old Business

5a) General Manager Appointment Process Update

Sitkin reported that several Special Commission Meetings will be held on October 28, including District tours, an open house/reception for the public, stakeholders and customers to meet and greet the three final candidates, and two Executive Sessions to interview the potential candidates are in the planning stages. The final locations and details for each are forthcoming.

5b) Broadband Program Update

Chris Walker of NoaNet provided an update to the Commission. This has been moved up from Agenda Item #6c.

Whatcom County Broadband Update

Walker has been participating as a representative of the District on the Port/PUD Broadband Steering Committee. It meets twice per month and includes representatives from the Port of Bellingham, Mt. Baker Foundation, and Whatcom PUD.

Accomplishments:

1. Three (3) grant applications:
Mosquito Lake Road – CERB infrastructure grant to supply fiber to the home services to 164 homes in the surrounding area, brining \$1.1 million in additional funding.
East Blaine – PWB to serve with no contributed match required.
North Ferndale – WSBO grant to construct middle mile to the community with fiber fed services.
2. Internet Services Provider (ISP) Agreement: Developed indefeasible Right to Use (IRU) agreement to secure open access broadband providers to utilize infrastructure.
3. Strategic Plan: Conceptualized the five-year strategic plan for infrastructure development in the county;
4. CERB Feasibility Study – Approved to apply to the CERB board for a broadband feasibility study for the county.

Broadband Feasibility Study (Version 2)

Objectives:

1. Expand upon the objectives of the Port’s 2019 study to create a comprehensive five-year look at infrastructure deployment strategies.
2. Map the broadband environment of Whatcom County to capture broadband accessibility, affordability, reliability, and digital literacy.
3. Understand the PUD’s role in future broadband deployment in Whatcom County.
4. Create projects that are shovel ready and grant eligible so the Broadband Steering Committee can measure and analyze for future planning.
5. Utilize to our advantage existing relationships and middle mile investment options to deploy infrastructure.

Broadband Feasibility Study Task List

Identify Areas of Concern/Need

Task 1 Complete heat maps of underserved and unserved areas

Task 2 Identify areas with future build plans by either public or private investment.

Shovel Ready Design

Task 1 Work to develop shovel ready designs that serve a general community or area need. These zones are created across all areas of the county.

Task 2 Categorize/prioritize list of the various zones by need, grant eligibility, and those that wouldn’t qualify.

Operating Model

- Task 1 Outline the operations model of an open access broadband network.
- Task 2 Outline the operations model with the PUD serving as the Internet Service Provider to publicly invested networks.
- Task 3 Interview retail ISP’s that would potentially serve on an open access network.
- Task 4 Identify service providers’ role and contribution to the open access delivery model, operationally, customer connections and customer acquisition.

Grant thanked Walker for his update. She is interested in grant eligibility but would also like to look at other kinds of financing methods to move the projects ahead faster if grants are not available. Walker responded that there are many programs to leverage but depends on the strategy of the build out of the network. Murphy is in support to move ahead as quickly as possible. The *Reconnect Grant* applications are due in November. Is this something the District should apply for? Walker said he is waiting to find out the many requirements of the grant, anticipating most will be shovel-ready designs. Right now, Whatcom County doesn’t have the resources ready yet to write the grant request.

Deshmane inquired about three neighborhood projects that are just about shovel-ready and wanted to make sure Walker is aware of these and should incorporate into the PUD’s planned proposal – Point Roberts, Ravencrest (off of Mt. Baker Highway) and the South Fork area of Nooksack River, near Van Zandt.

When the first feasibility study was planned by the Port, Deshmane said the original cost estimates were too low and the involvement of the ISPs has increased to implement backbone-type of structure (not open access). He wants to know if it is still viable to create the public access backbone or create smaller fiber loops and revisit the bigger project at a later time. Walker responded that the need to identify the problem – the backbone is lacking what connects the communities together. A backbone does not bring fiber to someone’s house. Solving the rural broadband program might be the way to go by having smaller, local loops. It could be either the Port or the PUD as owner of the backbone and Walker can’t really comment otherwise without more information. Deshmane said it seems that the Port method of solution is fiber to the individual homes vs. small loops. Private ISP’s are influenced by the amount of federal funding, are changing the tactics being used (State broadband office, local EDI funds, etc.) Walker indicated that network architecture: Backbone, distribution, and local feeder networks will be included in the feasibility study.

Commissioners thanked Walker for the presentation.

ACTION: No action taken. Information only.

6. New Business

6a) 2022 Draft Budget Presentation

Jilk said this is an opportunity for Commissioners to set the stage in developing the 2022 budget in preparation for the new General Manager and there are a number of initiatives that the Commission has prioritized, some of which will be included in the highlights prepared by Finance Director Annette Smith:

Presentation Outline

- Operating Budgets
- Personnel
- Capital Budget
- Extraordinary Maintenance
- Debt
- Reserves

COSTS - 2022				A	B	A-B	
	Industrial Water	Grandview	Electric	2022 TOTAL	2021 TOTAL PROJECTED	INCREASE (DECREASE)	%
Electric Power Costs & tax	\$ -	\$ -	\$ 9,742,000	\$ 9,742,000	\$ 9,518,983	\$ 223,017	2.3%
Water Power Net of BPA Credit	550,000	7,000	-	557,000	540,865	16,135	3.0%
Purchased Water	-	5,000	-	5,000	4,320	680	15.7%
Water Purification Costs	228,000	1,000	-	229,000	218,194	10,806	5.0%
Operating Labor & Benefits	2,577,000	105,000	954,000	3,636,000	3,075,200	560,800	18.2%
O&M Expense - On-going	208,000	49,000	100,000	357,000	279,239	77,761	27.8%
Extraordinary Maint	815,000	25,000	50,000	890,000	429,817	460,183	107.1%
Admin Expenses	306,000	13,000	132,000	451,000	421,511	29,489	7.0%
Education	26,000	1,000	14,000	41,000	9,170	31,830	347.1%
Outside Services	466,000	17,000	219,000	702,000	289,149	412,851	142.8%
Insurance	97,000	8,000	28,000	133,000	116,150	16,850	14.5%
Miscellaneous & Election Costs	104,000	4,000	37,000	145,000	142,855	2,145	1.5%
Electric General Svc Charge	105,000	-	-	105,000	79,956	25,044	31.3%
Business Development	452,000	4,000	134,000	590,000	154,776	435,224	281.2%
Business Services	200,000	-	-	200,000	78,701	121,299	154.1%
Taxes on Services	534,000	15,000	158,000	707,000	599,308	107,692	18.0%
LUD Debt Service	-	164,000	-	164,000	167,088	(3,088)	-1.8%
Other Debt Service	1,966,000	-	530,000	2,496,000	2,259,616	236,384	10.5%
Capital Transfers	400,000	20,000	300,000	720,000	2,750,000	(2,030,000)	-73.8%
TOTAL BY FUND	\$ 9,034,000	\$ 438,000	\$ 12,398,000	\$ 21,870,000	\$ 21,134,896	\$ 735,104	3.5%

Sections 2 - 5

15.0%

Operating Needs (Costs) by Object.

- **Operations and Maintenance Expense – Ongoing** – Detailed in Section 4 of the budget book. – Is going up. In 2020 and 2021, COVID 19 has impacted the completion of some projects due in part to some of the operations staff working remotely and lack of staff on-site for projects. In July 2021, the crew returned to fully staffed, on-site work.
- **Education** – \$40,000 was not used last year, as many were reluctant to attend in-person events and conferences, or most events were cancelled/postponed due to the pandemic. The District is budgeting for additional education in the 2022 budget which covers costs for staff and commissioners.

The overall adjustment is 3.5% in the Operating Budget. However, it is downplayed because of the Capital Transfer line item. In 2021, expense were not as much as expected and some of the 2021 funds were planned to be moved to the Capital Budget, as we are experiencing some large capital projects this year. In 2022, we are expecting more projects. Without this line item, the overall increase is closer 15%. The Capital Transfer is the piece in the rate revenue that is put aside towards the capital projects.

Administrative Expenses

- **Computer Services Hardware** – Our IT department is keeping the District safe, cyber security is a large cost, and new programs including Zoom, remote work capabilities also increase costs.

Outside Services

- **Accounting** – The District is in the middle of an audit (2021) and possible rate study for the Industrial and Grandview Water systems in 2022;
- **Engineering** – Most 2021 work did not come to fruition. In 2022, engineering work is planned to review plans (City of Ferndale working on levy near Plant 1); Requests from new customers for service and connections are also adding to the engineering costs.
- **Power Regulations** – Additional needs, including the NRU will utilize consultants.

Business Services

- Typically, these are projects funded by state or federal grants where the District is reimbursed. It varies from year to year. The Regional Water Supply Plan and the Education Outreach grants are funded through the Puget Sound National Estuary Program and both grants are in their second year of progress. Schlotterback manages these grants totaling \$200,000.

Grant inquired about that the Community Economic Redevelopment Board (CERB) – \$50,000 grant application and where it would be categorized? Jilk responded it could be under Business Services or Business Development, and/or also additional resources under the Alcoa Reserves.

Business Development

- Funds are set aside for water supply management, water system services and adjudication (\$235,000 estimated) which can be tracked. Jilk noted staff is trying to build a budget flexible enough for what is “expected to occur” in 2022.

Personnel

- Six positions have been included and has increased the labor and benefits quite a bit:
 - General Manager and Assistant General Manager (as replacements these remain the same, with retirements and new hires)
 - New positions: (1) Electrician; (1) SCADA Technician; (1) Project Manager; and (1) Broadband Project Manager are included in the 2022 budget.

Currently the District does not have a line item for recruiting services, it is listed under advertising; but is something to discuss and consider a budget adjustment.

Capital Budget (Detailed in Sections 8 and 9 of the budget book)

- **Internal Services**
IS-1 Office Remodel – this is for the planning stages of a new, larger conference/meeting room – either adding on to the main office or constructing a separate building.
- **Industrial Water**
RW-38 – Plant 1 Remodel; was originally build in 1965, needs major work.
RW-40 – Water Transmission Line Replacements – will need bond funding to complete and currently not scheduled to begin until 2026.
- **Electric**
#E-27 Refinery Substation Rebuild will take a large amount of funding and staff time in 2022; this is the schedule planned with Phillips66 and Bonneville Power Administration.

Extraordinary Maintenance Budget

Big-ticket projects are listed below for the next five years which can change on annual basis.

EXTRAORDINARY MAINTENANCE		2021	2022	2023	2024	2025	2026	2022-2026
		Projected	Budget	Budget	Budget	Budget	Budget	Budget
RW-M-2	Clean Sediment Settling Ponds	\$ 103,361	\$ 310,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 930,000
RW-M-6	Douglas Rd Vault Power & SCADA Upgrades	10,500	130,000	-	-	-	-	130,000
RW-M-7	D Station Reliability Upgrades	63,760	250,000	-	-	-	-	250,000
RW-M-10	High Head Pump Re-build (Annual Maint Project)	180,238	125,000	125,000	125,000	125,000	125,000	625,000
RW-M-11	Plant 1 Maintenance	2,872	-	-	-	-	-	-
GVF-M-2	Grandview Fire System Decommissioning	-	25,000	75,000	-	-	-	100,000
GVF-M-3	Grandview Non-potable connection	69,087	-	-	-	-	-	-
E-M-2	Refinery Substation Testing during turnaround	-	50,000	-	-	-	-	50,000
Sub-Total (M) Maintenance Projects		\$ 429,817	\$ 890,000	\$ 355,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 2,085,000

Section 8 & 9

- Sediment Settling Ponds – Annual cleanings, two ponds will need cleaning in 2022.
- High-Head Pump Maintenance – Annual maintenance.
- Grandview Fire System Decommission – Not a reoccurring project but scheduled to begin in 2022 now that the fire system is connected to the main line.

Debt

The bonds issued earlier this year eliminated the 2010 bonds. With the Water Plant 1 rebuild and water transmission line replacement costs are estimated around \$45 million. RCW limits the amount of debt capacity. The District is well within this number; however it is a concern of how much of a burden the debt puts on rates and our limited customer base.

Bond	Issue Amt	Outstanding	Rate	Purpose
2010A	\$ 2,660,000	\$ -	4.36%	Refunded 1999 bonds, intertie, SCADA, Intake work
2010B	\$ 20,980,000	\$ -	5.00%	Plant 2 remodel, Enterprise and Ferndale Substation purchase
2012	\$ 5,980,000	\$ 1,185,000	2.70%	Refunded 2004 bonds, telecom, work on substation, intake, SCADA
2013	\$ 6,025,000	\$ 3,945,000	2.66%	Finish Plant 2 remodel
2016	\$ 1,457,628	\$ 874,576	2.09%	Refunded 2007 bonds, Grandview line extension (LUD)
EDI	\$ 800,000	\$ 726,972	1.00%	Connection between Industrial Water and Grandview Fire
2021	\$ 14,800,000	\$ 13,660,000	1.45%	Refunded 2010B, Refinery Substation Rebuild
2023	\$ 21,000,000			Water Treatment Plant 1 Rebuild
2025	\$ 12,000,000			Water Treatment Plant 1 Rebuild
2027	\$ 12,000,000			Water Transmission Line Replacement
TOTAL	\$ 74,062,628	\$ 20,391,548		

Section 4

\$ 287,437,876

Per RCW 54.24.018, Current non-voted Debt Capacity (.75% of assessed)

Reserves

		Projected 2022				Current	Change
		Industrial Water	Grandview	Electric	Total		
Operating	60 days Operating Expenses (excludes Extraordinary maintenance, Power Pass-thru, Grants, Business Develop)	\$ 843,000	\$ 38,000	\$ 360,000	\$ 1,241,000	\$ 1,125,000	\$ 116,000
Capital	1.5% of Capital Assets	\$ 662,000	\$ 51,000	\$ 375,000	\$ 1,088,000	\$ 1,038,000	\$ 50,000
Emergency	Emergency	\$ 231,000	\$ 20,000	\$ 99,000	\$ 350,000	\$ 350,000	\$ -
Additional	Retirement Cash-outs	\$ 61,500	\$ 2,500	\$ 23,500	\$ 87,500	\$ 175,000	\$ (87,500)
	Invoice float			\$ 200,000	\$ 200,000	\$ 200,000	\$ -
	Customer Reduction	\$ 200,000			\$ 200,000	\$ 200,000	\$ -
		\$ 3,166,500				\$ 3,088,000	\$ 78,500

- **Emergency Reserves** are reassessed each year at budget time. The amount of \$350,000 was set in 2017 and has remained steady. The 2018 industrial line break cost the District just under \$350,000; Smith feels it is prudent to keep the reserve as is.

In the event of a countywide, natural disaster, the insurance coverage would take care of things. Smith noted that the coverage does not include electric transmission or water transmission lines. However, if there was a major emergency, such as a plant shutdown or otherwise, the District can go to a bank for a line of credit for more funds, as a replacement for additional reserves.

Murphy doesn't think \$350,000 is enough due to past emergencies. Jilk responded that this amount, including insurance coverage and potential emergencies costs are items the Commission needs to review each year, yet are sometimes difficult to determine. Because the District has limited infrastructure, it is easier to identify specific dollar amounts and factors. As the District expands, the reserves need to be monitored closely.

- **Additional Reserves** – Retirement cash-outs will change due to the anticipated General Manager’s retirement date.

Next Steps

- Two customer meetings
 - November 1 – Grandview Customers
 - November 2 – Industrial Water Customers
- November 23 – Commission Meeting with second presentation and public hearing.
- December 14 – Final 2021 budget and rates approved.

Smith asked for comments or questions on the draft 2022 budget *before* November 23. Jilk thanked Smith and all the staff member involved in the draft budget. As this date drawers nearer, he asked the Commission to consider if they will be prepared to adopt the budget with the 15% increase. Grant suggested offering the Industrial Customers on a tour of the aging Plant 1 – perhaps if would help justify the means of the rate increases. Jilk believes that even though the rebuild is a significant portion, it is not a direct impact of the percentage increase presented today. It is a combination of things like strategic plan initiatives, personnel and the adjudication case.

Note: The draft 2022 budget is posted on the District’s website: <https://www.pudwhatcom.org/the-commission/financial-documents/>.

ACTION: No action taken. Information only.

6b) Approve Amendment No. 1 Work Order #17 for RH2: Regional Water Supply Plan, Phase 2 Scope of Work

Background – In September, the Commission approved Work Order No. 17 with RH2, Inc. to support the development of Phase 2 of the Regional Water Supply and Management Plan in an amount not to exceed \$93,850.00. The Regional Water Supply Plan Work Group (RWSP Work Group) chose to do Phase 2 work based on a choice of eighteen surface water delineation sub-basins. The RWSP Work Group knew that the grant funding would not support reviewing eighteen sub-basins and the RH2 Work Order budget of \$93,850.00 would only allow six prioritized sub-basins to be analyzed: Lower Mainstem Nooksack, Lynden North, Middle Fork Nooksack, North Fork Nooksack, Ten Mile Creek, and Upper Mainstem Nooksack.

In late August, the District requested an extension on the term of the contract from the current end date of March 1, 2022 to December 15, 2022, and also requested additional funding of \$65,000 for Phase 2 from Washington State Department of Fish and Wildlife (WDFW). Reasons for the requests were due to delays in contracting consultants for Phase 1 and Phase 2 work, and for the lengthy time it took to create the Phase 1 technical reports.

On October 12, 2022, WDFW notified District staff agreeing to an extension of the grant term to December 15, 2022 and to would provide \$43,000 in additional funding. The additional funding will allow for a total of 9 sub-basins to be analyzed. In addition to the six sub-basins previously chosen, the three added sub-basins are Lummi Bay, Silver Creek and Sumas River. RH2 provided an amended work order that increases the budget to a not to exceed amount of \$120,512.00 for the 9 sub-basins.

There is no fiscal impact to the District. The District will pass funds from the WDFW grant to sub-contractor who will perform the work.

ACTION: Commissioner Grant motioned to APPROVE AMENDMENT NO. 1 TO WORK ORDER NO. 17 WITH RH2 ENGINEERING INC. TO SUPPORT DEVELOPMENT OF PHASE 2 OF THE WRIA 1 REGIONAL WATER SUPPLY AND MANAGEMENT PLAN NOT TO EXCEED \$120,512.00 AND AUTHORIZE GENERAL MANAGER TO SIGN THE AGREEMENT. Commissioner Murphy second the motion. Motion passed unanimously.

6c) NoaNet Presentation (moved up under Broadband Program Update)

6d) Approve Interlocal Agreement with City of Bellingham – Carbon Reduction Initiative

Staff from the District and City of Bellingham have met several times to discuss a working relationship of the City and the PUD to discuss several factors of acquiring renewable energy for and with the two agencies.

This Interlocal Agreement allows for staff from both entities to work together to consider various opportunities in the acquisition of renewable energy resources for the City while recognizing various aspects of the City’s *Climate Action Plan* and the interests of the PUD Commission relative to climate changes. The purpose is to open the door for both agencies to begin discussions of acquisition of renewable energy. There is a reimbursement amount of up to \$75,000 to allow for cost sharing of a task, without additional approval by the City or PUD. Commissioner Grant added that there are many opportunities to ensure sure all the different options are being explored. Deshmane is concerned about the cost-sharing aspect, and wants to make sure the PUD is not bearing the majority of costs for a “city” type of project.

Murphy asked about the amount of staff time, and would the PUD staff answer to the City Council? Jilk answered that the recommendation specifically indicates the PUD's interests and City of Bellingham's and it opens the opportunity to discuss climate impact and carbon reduction in a formalized fashion. The question Murphy raised was on the Action Memo – the Interlocal Agreements are under the direction of the elected officials, and the working group developing actions/making recommendations implies a “reporting process.” The reimbursement amount is considered a minor addendum. Murphy added he would also like to know more from Puget Sound Energy regarding decision making on renewables. Jilk agreed that it will be critical to have participation from PSE and others in the community.

ACTION: Commissioner Grant motioned to APPROVE CITY OF BELLINGHAM AND PUBLIC UTILITY DISTRICT NO. 1 OF WHATCOM COUNTY CARBON REDUCTION INITIATIVE INTERLOCAL AGREEMENT AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO SIGN AND EXECUTE THE AGREEMENT. Commissioner Murphy second the motion. Motion passed unanimously.

7. General Manager's Report

PUD/BPA Facilities Interconnection Analysis/Study

The deadline is approaching to formally file the request and submit a \$50,000 check to Bonneville Power Administration to initiate the study. By November 30, the PUD will need to send an additional \$429,000 for a complete analysis. The process is to take the next step of preliminary engineering studies. The options are to (1) pay the \$50,000 now and send the additional funding by the due date, (2) sign the request, pay the deposit and not pay the \$429,000; or (3) continue with the \$50,000 payment, and make the larger payment at a later date to proceed with the study; however, Walters said it's a difficult decision without knowing the future large industry at Cherry Point and delaying the funding could set the District back by six months. Should the PUD be planning for infrastructure at Cherry Point? EDI funding may be available, and if/when the PUD gains another customer, some of these costs could be offset by connection fees. Jilk recommends submitting the check for \$50,000 and then putting the process off for an additional six months. Should the District decide not to follow through with the study, the \$50,000 would be reimbursed. The Commission indicated support of Jilk's recommendation.

8. Commissioner Reports

Grant:

- Attended one Port/PUD Broadband Steering Committee meeting.

Murphy:

- Has been doing a lot of reading/studying the backgrounds of the General Manager candidates.

Deshmane:

- Attended the Watershed Management Board meeting. Cascadia Solutions consultants (Jay Manning and Maia Bellon) working on behalf of the County Executive on water adjudication solutions, and although they have not addressed the tribes, their plan closely follows the Yakima Basin adjudication decision. They have introduced a “solutions table” by developing a list of ideas/positions by all involved in discussions around water use/water quality and then move forward. Deshmane says there is a difference in focus amongst the Environmental Caucus, the Ag Community and two tribes. The Dept. of Ecology and Tribes have stated that adjudication will be implemented in 2023.

9. Public Comment No. 2

Rick Miracle commented (1) on the Zoom technology, he could monitor the meeting in his car. (2) Regarding reserves, he is not opposed to reserves, however, his concern is that the reserves should be earmarked for specific things and the PUD has done a good job of doing so. (3) When it comes to renewable energy for Bellingham, the City could go to 100% renewable energy at any time, it requires the citizens to get it. Whatever comes of the agreement between the City and PUD will have to include Puget Sound Energy because that is who owns the infrastructure. He is skeptical that another renewable energy plant could be built at Cherry Point because the County Council set up many road blocks for this to happen. Maricle isn't sure if a renewable energy plant would even be allowed. The Lummi Tribe has stated that they want to return Cherry Point to its natural state – it was once the largest and most prolific herring population and spawning area.

Maricle added that the adjudication/negotiation process that the County Executive is proposing does not include all of the water rights holders. He doesn't think it will do any good and the case will end up going into adjudication anyway.

10. Executive Session

Executive Sessions requested pursuant to: (1) Potential Litigation per RCW 42.30.110(1)(i)(iii); (2) To Evaluate the Qualifications of Applicants for Public Employment Per RCW 42.30.100.(1)(g); and (3) Labor Negotiations per RCW 42.30.140(4). Jilk indicated there will be no Executive Session on Labor Negotiations.

The estimated time for Executive Session was 20 minutes. The Commission President indicated that no action would be taken after the adjournment of the Executive Session. Following a short recess, the Commission adjourned to Executive Session at noon.

- The Commission held Executive Session on a separate Zoom webinar platform under Open Public Meeting Act requirements.
 - At 12:20 p.m. another 10 minutes was requested;
 - At 12:30 p.m. another 5 minutes was requested;

Executive Session Adjourn

There being no further business for Executive Session, the Commission rejoined the Regular Commission Meeting webinar platform at 12:350 p.m.

11. Adjourn

There being no further business for the meeting, Commissioner Murphy adjourned the regular meeting at 12:35 p.m.

Atul Deshmane, President

Christine Grant, Secretary

Michael Murphy, Vice President

APPROVED: NOVEMBER 9, 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/>

EXHIBIT: Letter of Appreciation

Good morning Commissioners,

I wanted to take this opportunity to share with you a recent success story in the Drinking Water Community thanks in great part to the PUD's Water System Technical Support Program that you initiated over 5 years ago and that you continue to support today as one of your ongoing initiatives.

The Kontree Apartments water system is a Small Group A Water system located about 3.3 miles west of Lynden. It serves approximately 60 residents living in 36 low income dwelling units consisting of small cabins, retrofitted buildings, a house, and several mobile homes/recreational vehicles.

For over 10 years the systems ground water source has been plagued by Nitrate (fertilizer) and Dinoseb (pesticide) contamination, and water shortages. The system has received numerous drinking water quality violations, a formal notice of correction, and was facing civil penalties of up to \$5,000 per violation per day.

In 2019 the system was ranked under Ecology's Toxic Clean Up Program as a "1" which is the highest relative risk to human health and the environment when compared to other assessed sites.

Unfortunately, there is no treatment available for Dinoseb, and initial construction and ongoing operation of a nitrate treatment system is cost prohibitive. The only options remaining were to:

- Find another source of water; or*
- Eliminate at least 21 dwelling units in order to be reclassified as a Group B system with its less stringent regulations, while continuing to use the contaminated water supply for the remaining residents; or*
- Shut down the water system eliminating all dwelling units other than the primary house.*

Decades ago, EPA funded a water main several mile long from Lynden west past the frontage of the Kontree Apartments to address EDB contamination in the area and Ecology issued a water right only for that purpose.

The obvious solution was to connect Kontree to the Lynden water supply. Unfortunately: The water main was not initially under the control of Lynden; and

The water rights available could only be used to address EDB contamination; and

- The complexities of state and local policy, regulation, and community issues seemed to thwart every good faith effort.*

Over the past five years the PUD has been working with Kontree, DOH, Ecology and Lynden under the PUD's Water System Technical Support Program to encourage and facilitate a solution.

I am pleased to report that:

- Lynden now owns and operates the "EDB" water main;*
- Ecology issued a Water Right in 2021 that allows Kontree to received water from Lynden; and*
- On October 22, 2021 Kontree connected to Lynden's water supply and discontinued use of its contaminated source.*

This is a good example of how the PUD recognized a need in the community and was willing to lean in on behalf of the community with the PUD's expertise without taking on the responsibility of delivering water or operating the water system.

This was possible because the PUD is already engaged in the challenges of water supply and has established trusted relationships with local and state agencies and developed credibility in the community.

It is important to recognize the outstanding effort of Buck Smith at Ecology and the support of senior Ecology management. But Ecology would not have been willing to think outside the box and move forward with a unique solution without confidence in the PUD's willingness and ability to work alongside the community.

Had the PUD not leaned in to facilitate with technical assistance and expertise, I firmly believe that the result would have been at least the loss of 21 low-income housing units with remaining residents still using contaminated water.

Over the last 10 years under the PUD's Water System Technical Support Program, you have provided assistance to many Group A and Group B water systems resulting in millions of dollars in grants and loans and the consolidation of 4 systems, 3 of which addressed ground water nitrate contamination problems.

On behalf of Kontree Apartments and the local Drinking Water community, I would like to thank the PUD for its ongoing support.