

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY  
327 No. WENATCHEE AVENUE  
WENATCHEE, WA 98801**

**REGULAR COMMISSION MEETING**

**August 15, 2016**

**AGENDA**

**STUDY SESSION**

**10:00 A.M.**

1. Pledge of Allegiance and Safety Minute – Dan Frazier
2. Approval of the Agenda - Any item on the Regular Agenda shall be subject to transfer to the Consent Agenda upon request of any Commission member
3. 2<sup>nd</sup> Quarter 2016 Energy Resources
4. 2<sup>nd</sup> Quarter 2016 Finance and Interest Investment Update
5. 2<sup>nd</sup> Quarter 2016 Major Projects, Contracts and Project Revisions
6. Executive Session: To review the performance of a public employee, as authorized by RCW 42.30.110(1)(g)

**BUSINESS SESSION**

**1:00 P.M.**

**Consent Agenda**

7. Minutes:

August 1, 2016

8. Vouchers:

Accounts Payable Summary Report dated August 9, 2016:

- a) Vouchers totaling \$5,148,927.18;
- b) Approval of Customer Deposit Returns and Conservation Incentive payments dated

## REGULAR COMMISSION MEETING AGENDA

August 15, 2016

Page 2

- August 9, 2016 in the amount of \$41,490.55;
- c) Approval of the net Payrolls, Warrant Nos. 234570 through 234602 and Advice Nos. 618361 through 619098 for the pay period ending 07/24/2016 in the amount of \$1,761,618.63;
  - d) Approval of Warrant Nos. 22616 through 22692 totaling \$27,402.70 for claim payments from the workers' compensation self-insurance fund for the period ending August 8, 2016; and
  - e) Approval of FERC payment - Statement of Annual Charges for Administration, Government Dams and Indian Lands – Lake Chelan, Rock Island Dam and Rocky Reach Dam - in the amount of \$4,489.77, \$564,565.08 and \$1,013,186.34, respectively.

### **Regular Agenda**

#### Resolutions

- 9. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO AMEND THE SERVICE AGREEMENT (SA NO. 13-162) WITH PRICEWATERHOUSECOOPERS LLP TO EXTEND AUDIT SERVICES FOR AN ADDITIONAL THREE YEARS
- 10. Manager Items
- 11. Commission Items
- 12. Commission Travel
- 13. Follow-up on Delegation of Action Items From Previous Board Meeting
- 14. Delegation of Action Items
- 15. Additional Public Comment\*
- 16. Matters of general business as may necessarily come before the Commission
- 17. Executive Session: To discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i).

\* Members of the public are encouraged to ask specific questions after each item presented. This agenda item is for additional comments/questions related to matters not on the agenda.

This agenda and resolutions (if any) may be revised by the Commission as appropriate.

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION AUTHORIZING THE GENERAL  
MANAGER TO AMEND THE SERVICE  
AGREEMENT (SA NO. 13-162) WITH  
PRICEWATERHOUSECOOPERS LLP TO EXTEND  
AUDIT SERVICES FOR AN ADDITIONAL THREE  
YEARS

## FACTUAL BACKGROUND AND REASONS FOR ACTION

The long term power sales contracts, bond resolutions and industry best practices require that the District's financial statements be audited by independent certified public accountants experienced in electric utility accounting. Certain bond covenants also require the certified public accountants to be of national reputation.

The District's Audit Committee charter defines the Audit Committee's responsibilities, which includes reviewing the external auditor's proposed audit scope, approach, fees and performance and recommending appointment of the District's external financial auditors, among other responsibilities. In addition, Resolution No. 08-13325 requires that the Commission, by resolution, authorize Service Agreements when the total contract price exceeds \$200,000.

In June 2013, District staff issued a Request for Proposal (RFP) for auditing services required by the District of the financial statements for calendar years ending 2013, 2014 and 2015. Four firms responded to the District's RFP for an audit services contract. The proposals were evaluated on industry experience, audit approach, customer service, ability to meet timelines, quality control reviews, knowledge sharing, ongoing communication, continuity of staff, cooperation with State Auditors, ease of transition and cost. As a result of this analysis, the evaluation committee and the Audit Committee concluded that it was in the District's best interest to retain PricewaterhouseCoopers to provide audit services for the three years.

Resolution No. 13-13812 dated August 19, 2013, authorized a Service Agreement (SA 13-162) with PricewaterhouseCoopers to provide audit services of the financial statements for calendar years ended 2013, 2014, and 2015, for a fixed fee of \$209,000 for the audit services of the financial statements ending December 31, 2013, with an annual growth rate not to exceed 3% for subsequent years, without prior Audit Committee approval.

PricewaterhouseCoopers has been providing audit services to the District since 2006. District staff and the Audit Committee have evaluated the performance of PricewaterhouseCoopers. The District has been satisfied with the audit quality, efficiency, timeliness, industry knowledge, continuity of staff and the stable rates provided by PricewaterhouseCoopers over the past ten years. Due to PricewaterhouseCoopers' partner rotation policy, the District recently benefitted from

a “fresh set of eyes” without incurring the additional staff hours and potential risks associated with transitioning to a new audit firm. And the proposed audit fees (an overall 4% increase from the 2015 fixed fee) are in line with amounts charged in prior years adjusted for the additional hours required due to increasing accounting and auditing requirements and public accounting labor costs.

District staff with the approval of the Audit Committee has determined that it is in the District’s best interests to amend the Service Agreement (SA No. 13-162) with PricewaterhouseCoopers to extend the Agreement for audit services of the financial statements for calendar years ending 2016, 2017 and 2018. The services will occur in 2016-2019. The audit fees, including reimbursable expenses, are for a fixed fee of \$230,000 for the audit services of the financial statements ending December 31, 2016, with an annual growth rate not to exceed 4% for subsequent years, without prior Audit Committee approval.

The General Manager has reviewed District staff’s recommendation and concurs in the same.

#### ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON as follows:

Section 1. The General Manager is hereby authorized and directed to amend Service Agreement (SA No. 13-162) with PricewaterhouseCoopers to extend audit services of the financial statements for the calendar years ending 2016, 2017 and 2018 as required by the District. The services will occur in 2016-2019. The District’s costs for said services of the financial statements for the year ending December 31, 2016, are for a fixed fee of \$230,000, with an annual growth rate not to exceed 4% for subsequent years, without prior Audit Committee approval. A copy of the Agreement is on file in the offices of the District.

DATED this 15<sup>th</sup> day of August 2016.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

Seal