

Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington June 4, 2018

The regular meeting of the Commission, of Public Utility District No. 1 of Chelan County, Washington, was held in the office of the District, 327 N. Wenatchee Avenue, Wenatchee, Washington, on June 4, 2018, at the hour of 9:15 am, pursuant to proper notice thereof.

Commissioners present: Dennis Bolz, President
Garry Arseneault
Ann Congdon
Steve McKenna
Randy Smith

Staff present: Steve Wright, General Manager
Erik Wahlquist, General Counsel
Rebekah Garfein, Clerk of the Board
Various staff

Others in attendance: M.L. Chambers
Nick Martini
Pat McGrath
Brad Sawatzke, CEO, Energy Northwest
Mike Paoli, Chief Communications Officer, Energy Northwest
Lisa Parks, Executive Director, Port of Douglas County
Jim Huffman, Commissioner, Port of Douglas County
Alan Loeb sack, Commissioner, Port of Douglas County
Mark Spurgeon, Commissioner, Port of Douglas County

Call To Order

- President Bolz called the meeting to order at 9:21am

Board Workshop

- Commissioners discussed Strategic Planning

Regular Commission meeting convened at 10:03am

Pledge of Allegiance and Safety Minute

- Dave Parkhill, Safety Training Program Administrator, led the pledge and provided a safety minute on buckling up in the car

Agenda

- The agenda was approved as presented

Energy Northwest

(see www.chelanpud.org for presentation)

- Brad Sawatzke, CEO of Energy Northwest, and Mike Paoli, Chief Communications Officer, gave an update on staff, services, projects, and focus areas
- Nuclear energy waste storage is a focus in the industry

Orondo River Park Operations Report

(see www.chelanpud.org for presentation)

- Michelle Smith, Director of Hydro Licensing & Compliance, and Felicity Saberhagen, Business Advisor, reviewed park history, summary of legal obligations, 2018 modified operations, conditional assessment results, and long-term operating options
- State grant obligations would make it difficult for the PUD to take ownership of the park
- Lisa Parks, Port Executive Director, gave additional background information on the development of the park partnership and noted there may be opportunity to reduce capital requirements and O&M costs
 - The Port does not support the option to remove the park from the Rocky Reach license
- Jim Huffman, Port Commissioner, gave additional history on the development of the park and overall PUD park plan

2018 Integrated Resource Plan Progress Report

(see www.chelanpud.org for presentation)

- Janet Jaspers, Energy Planning and Trading Manager, and Becky Keating, Energy Planning Senior Analyst, reviewed the finalized portfolio analysis results and draft progress report document
- The final presentation and hearing will occur at the June 25 Board meeting
- Comments may be left and additional details found at <http://www.chelanpud.org/environment/operating-responsibly/integrated-resource-plan>

Resiliency Comments

(see www.chelanpud.org for presentation)

- Suzanne Grassell, Government Affairs Program Manager, reviewed comments made on hydropower's contribution to grid resiliency
- Comments were provided in response to the Federal Energy Regulatory Commission (FERC) Docket AD17-8
- Our goal in providing comments is to ensure hydropower continues to operate economically in a changing electric system
- Hydropower is the only resource that has all attributes necessary for a reliable and resilient grid

Public Power Benefit Update

(see www.chelanpud.org for presentation)

- Felicity Saberhagen, Business Advisor, gave an update on 2018 funding along with recommendations for use of remaining 2018 funds
- Jobs Work Readiness program is currently funded as an 18-month pilot project; Commissioners gave a nod of approval to proceed with the position
- Guidance from the Commissioners on the funding level for 2019 is \$4 million with support for the projects proposed along with \$900,000 for the Rocky Reach Discovery Center from 2018 funds
- A question was raised on the Hydro Research Institute – that project is going well and the team is currently working on bylaws and articles of incorporation

2018-2019 Insurance Program Renewal

(see www.chelanpud.org for presentation)

- Ron Gibbs, Insurance and Claims Manager, gave an annual update on insurance premiums and renewal

- Renewal date is July 1; premiums will be negotiated up until the renewal date
- Discussed factors impacting renewal rates
- Recommendation this year is to keep limits and deductibles the same

Manager Item

(see www.chelanpubd.org for presentation)

- Kelly Boyd, Chief Financial and Risk Officer, gave a credit rating update; S&P upgraded our rating to AA+ Stable and Moody's affirmed our rating of Aa3 Stable
 - S&P's rating places us in the top 5 highly-rated utilities by S&P
 - Commissioners recognize the significant accomplishment to achieve this high rating by S&P

Recessed at 12:00pm and Reconvened at 1:03pm

Consent Agenda

- President Bolz presented the consent agenda which included the following items:
 - Minutes of the May 14, 2018 Regular Meeting
 - Vouchers: Accounts Payable Summary Report dated May 30, 2018:
 - Vouchers totaling \$41,686,823.86;
 - Approval of Customer Deposit Returns and Conservation Incentive payments for the period May 9, 2018 through May 29, 2018 in the amount of \$13,861.43;
 - Approval of the net Payrolls, Warrant Nos. 235969 through 235993 and Advice Nos. 653352 through 654131 for the pay period ending 05/13/2018 in the amount of \$2,031,660.33; and
 - Approval of Warrant Nos. 24456 through 24515 totaling \$16,271.35 for claim payments from the workers' compensation self-insurance fund for the period ending May 25, 2018.
 - Resolution 13. A RESOLUTION AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 16-83 WITH MOE ASPHALT PATCHING & SEALCOATING, INC. OF WENATCHEE, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE

MOTION

Moved by: Commissioner Arseneault

Seconded by: Commissioner McKenna

To approve the consent agenda as presented

Approved: Unanimously

Resolution 14

- Devin Myers, Project Manager, presented Resolution 14
 - Devin noted reasons for the Turbinepros bid rejection and will follow up with them on the bid process
 - Resolution 14. A RESOLUTION REJECTING THE BID OF TURBINEPROS, LLC. OF CHATTANOOGA, TN AND ACCEPTING THE BID OF BRIVO CORPORATION OF CHENEY, WA (BID 18-30) FOR ROCK ISLAND POWERHOUSE 2 U1, U4 AND U6 DRAFT TUBE GATE REFURBISHMENTS

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Congdon

Move to approve Resolution 14 as presented

Approved: Unanimously

2018 Substation Effort Update

(see www.chelanpud.org for presentation)

- John Stoll, Managing Director of Customer Utilities, and Chad Rissman, Director of Engineering and Asset Management, reviewed current substation projects and efforts to identify future substation sites
- Substation sites will likely be sized to allow two transformers
- Current substation projects are Olds Station (Ohme station), Leavenworth (Bavarian station), and North Shore Lake Chelan
 - Reviewed timing of current projects with Ohme beginning in 2019, Bavarian in 2020, and North Shore in 2021
- Reviewed 10 anticipated future substation locations, noting that Wenatchee II and Entiat will likely be highest priority; growth trends could shift the priority of any of the stations
- We are considering alternative construction methods for substation construction; also considering a multi-year order, multi-quantity approval process for items with long lead time which would likely improve pricing
- The District continues to collaborate with county and municipal planners on growth and infrastructure planning

Recognition

- President Bolz recognized John Stoll for 20 years of service to the District

Manager Items

- John Wasniewski, Energy Analyst, and Janet Jaspers, Energy Planning & Trading Manager, gave an update on Lake Chelan lake levels
 - May average inflows into were just over 10,000 cfs which is the highest flow recorded since recording began in 1929
 - The May Columbia river flow average was nearly 275,000 cfs which is the highest on record since recording began in 1962
- Steve Wright, General Manager, reported on a public power group in the West that has been meeting; have developed a set of principles related to California
 - Energy Imbalance Market in California that operates at hour-ahead; they are talking about extending that to day-ahead
 - Reliability Coordinator – every region has to have a reliability coordinator
 - California ISO has proposed becoming the reliability coordinator for the West
 - The Board is nominated by the Governor and confirmed by the legislature giving the governance a political overlay; first five principles were reviewed

Commissioner Items

- Commissioner Smith reported that Keith Goehner and Mike Kaputa met today with the Kyrgyzstan ambassador in Washington DC
- Commissioner Bolz has talked with Wenatchee City Councilman Jim Bailey regarding mutual concerns related to waterfront parking
 - The City Council and PUD Commissioners have not met in a formal setting
 - Commissioners are interested in pursuing a meeting with the City Council on waterfront parking issues

Commissioner Travel

- Rebekah Garfein, Clerk of the Board, reviewed upcoming June travel

Follow Up on Delegation of Action Items from the May 14, 2018 Board Meeting

- Felicity Saberhagen will provide information on the position for developmentally disabled candidate – completed today

Delegation of Action Items

- Orondo River Park
 - Orondo community survey results
 - Information from the Port regarding further clarity around RCO obligations and opportunity to lower capital obligations
 - Feedback from campers that have been displaced to other parks
 - Feedback about shutting down camping at Orondo River Park
 - Park usage for the 2018 season (local vs. out of town)

Public Comment

(see www.chelanpud.org/hd/ for written comments)

- Mr. Nick Martini addressed Commissioners regarding the cryptocurrency moratorium; written comments were provided to Commissioners

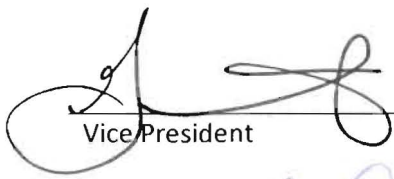
Executive Session

President Bolz convened an executive session at approximately 2:15pm 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), to consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price, as authorized by RCW 42.30.110(1)(b), and to consider the minimum price at which real estate will be offered for sale or lease when public knowledge regarding such consideration would cause the likelihood of decreased price, as authorized by RCW 42.30.110(1)(c) for approximately 60 minutes.

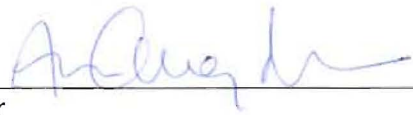
Regular Session Reconvened at 3:20pm

- President Bolz stated no votes were taken and no decisions were made during Executive Session

There being no other business, the meeting adjourned at 3:20pm.



Vice President



Commissioner



President



Secretary



Commissioner