

# Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington May 13, 2019

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 May 13, 2019, at the hour of 10:00 am, pursuant to proper notice thereof.

**Commissioners present:** Garry Arseneault, President  
Dennis Bolz  
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:** Lee De La Torre, Diamond Foundry  
Peter Spadoni, Stemilt Growers

*The morning session was not recorded due to a technical difficulty; the minutes provide additional details*

## **Call To Order**

- President Arseneault called the meeting to order at 10:02am

## **Pledge of Allegiance and Safety Presentation**

(see Chelan PUD website for presentation)

- Darrin Nelson, Contractor Safety Program Manager, led the pledge and provided information on Human Performance Improvement (HPI), which will be covered at safety meetings in May, June and July
- The brain uses System 1 thinking as the natural default and it happens very quickly with a low error rate – this includes things done as a routine or habit that are built into muscle memory
- System 2 thinking is much slower and takes a lot of effort to analyze specific problems or tasks while also having a much higher error rate
- There are three performance modes – skill-based, procedure-based, and knowledge-based with varying error rates
- When employees encounter things that don't go as planned, we want them to stop if they are unsure and have a questioning attitude rather than proceeding with an increased chance for errors

## **Agenda**

- Resolution 15 was moved to the consent agenda; the agenda was approved as revised

### **Quarterly Energy Resources Update**

(see Chelan PUD website for presentation)

- Gregg Carrington, Managing Director of Energy Resources, and Janet Jaspers, Energy Planning and Trading Manager, reviewed the first quarter update
- The District's 2019 revenues from the wholesale market portfolio is \$121.4M and \$8.5M above budget
  - Improved results are driven by:
    - Incremental revenue from power contract surplus proceeds and positive margin from off-system end-use sale, partially offset by;
    - Lower expectations for net wholesale revenue forecast due to low stream flow conditions, unit outages and higher weather driven retail load
- Net wholesale revenue forecast also lowered due to classification of the MWhs sold to Microsoft as a separate line item for off-system end-use sale
- Energy Efficiency programs have started off the year strong
- The water supply forecast is currently at 83% for the Columbia and 70% for Lake Chelan with temperatures predicted to be about average or slightly above
- Lake Chelan lake level is  $\frac{3}{4}$  of a foot above the refill curve for a dry water year; John Wasniewski, Energy Analyst, will be providing information to the Chelan City Council and at a drop-in event later this week in Chelan

### **District Proposed Land Exchange with City of Entiat**

(see Chelan PUD website for presentation)

- Vicki Griffin, Real Estate and Permitting Manager, and Steve Vaughn, Real Estate Specialist III, reviewed a proposed land exchange with the City of Entiat
- The District owns waterfront property between Lakeshore Drive and the Entiat Park; this perfects our access to the riverfront parcel, should it be needed in the future, and allows the City of Entiat to construct a storage shed on our property for park equipment
- The land pieces are the same size and value

### **Fire Risk Liability Update**

(see Chelan PUD website for presentation)

- Chad Rissman, Director of District Asset Management, and Chad Bowman, Director of Transmission and Compliance, reviewed wildfire risk mitigation strategies
- Changing Environment
  - Forest health is impacted by climate change and declining
- 2019 Fire Season Activities
  - Performing daily monitoring of conditions; postpone maintenance in rural areas during extreme fire danger and red flag conditions
  - Disabling the auto-reclose function on high-risk lines to allow for an inspection prior to restoration; this could cause an outage to be much longer than it would be otherwise
  - Vegetation inspections on high-risk lines and utility structures
  - Additional electrical inspections; piloting thermal imaging to detect failing equipment
    - Financial break point between using drones and traditional helicopters; under 30 miles of lines to inspect can be done with a drone while over 30 miles has advantages to using a manned aircraft
      - A manned aircraft produces great results when aircraft are manned with linemen who can contribute their expertise as information is being captured
    - Increased installation of animal guards in high-risk areas to reduce animal contacts
- Future Financial and Operational Impacts
  - Increased activities will affect the budget
  - Operational changes will impact reliability

- The District's goal is to be an industry leader in wildfire prevention; partnering with a consultant to develop long-term recommendations and right-size our program
- A State taskforce was developed during the last legislative session to examine fire risk mitigation and liability issues
- Efforts are underway in the insurance industry to develop standards for wildfire risk mitigation; this is a program that adds expense, but no revenue

### **Diamond Foundry Contract Review**

(see Chelan PUD website for presentation)

- Lindsey Mohns, Customer Utilities Business Manager, presented an overview of the Diamond Foundry electric service agreement
- Rates and charges are in Rate Schedule 4 and are tied to Schedules 3 and 35
- The agreement includes a basic charge, demand charge, and energy charge; performance-based charges are expected to be minimal if operation of the Foundry is as planned
- The contract will be posted online for public review and comment; comments accepted through email (contactus@chelanpud.org) or in person at the June 3 Board meeting
- This would become the largest retail load on our system
- Lee De La Torre, from the Diamond Foundry, noted the Foundry will provide 35-50 jobs
  - Technicians use STEM skills to work with semi-conductor type equipment
  - The Diamond Foundry may consider future growth opportunities in this area

### **Stemilt Contract Review**

(see Chelan PUD website for presentation)

- Chad Rissman, Director of Asset Management, and Robb Davis, Staff Attorney, reviewed key components of the Stemilt agreements regarding the Hawley Street substation
- This is a public/private partnership that will assist in economic development
- The District may own and operate the substation in the future, so the agreement lays out specific points where District staff will review the project to insure it is built to our standards
- We are targeting June 30 to vacate the property for construction; the agreement does not include any penalties if this aggressive timeline is not met
- Peter Spadoni, Stemilt legal counsel, was complimentary of the work that has gone into this project and invited Commissioners to tour Stemilt's Olds Station campus which houses the largest robot in the state

### **Quarterly Major Projects, Contracts and Projects Revisions Update**

(see Chelan PUD website for presentation)

- Lindsey Mohns, Customer Utilities Business Manager, reviewed first quarter changes to major project timelines, project budget revisions, and negotiated contracts
- Lindsey noted that all increases were offset by reductions in other areas

### **Recessed at 12:05pm and Reconvened at 1:02pm**

### **Energy Imbalance Market (EIM) Update**

(see Chelan PUD website for presentation)

- Gregg Carrington, Managing Director of Energy Resources, and Bryan Bradshaw, Manager of Energy Structuring and Optimization, gave an update on the Energy Imbalance Market (EIM)
- Benefits of participating in the EIM were assessed in 2016 and updated in 2018; the economics are not compelling at this time
- There are reasons to consider joining in the future; we've tried to optimize our assets and be efficient through our real-time agreement and slice sales

- The EIM has a governing board, but ultimate authority lies with the CAISO board

### **Consent Agenda**

(see Chelan PUD website for resolutions)

- President Arseneault presented the consent agenda, which included the following items:
- Minutes of the April 29, 2019 Regular Meeting
- Vouchers: Accounts Payable Summary Report dated May 8, 2019:
  - Vouchers totaling \$12,973,628.47;
  - Approval of Customer Deposit Returns and Conservation Incentive payments for the period April 24, 2019 through May 7, 2019 in the amount of \$17,912.51;
  - Approval of the net Payroll, Warrant Nos. 236491 through 236510 and Advice Nos. 672782 through 673575 for the pay period ending 04/28/2019 in the amount of \$2,080,565.09;
  - Approval of Warrant Nos. 25599 through 25630 totaling \$5,687.59 for claim payments from the workers' compensation self-insurance fund for the period ending May 6, 2019.
- Resolution 13. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2, 3, 4, 5, 6 AND 7 AND AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 17-53 WITH HALME BUILDERS, INC. OF DAVENPORT, WASHINGTON FOR THE ROCK ISLAND STORAGE BUILDING
- Resolution 15. A RESOLUTION AUTHORIZING AMENDMENT NO. 3 TO TASK AUTHORIZATION SERVICES AGREEMENT (SA-TA NO. 16-056) WITH HDR ENGINEERING, INC. OF NEBRASKA TO PROVIDE PROFESSIONAL ENGINEERING SERVICES RELATED TO TRANSMISSION AND DISTRIBUTION ENGINEERING SUPPORT

#### **MOTION**

Moved by: Commissioner Smith

Seconded by: Commissioner Congdon

To accept the consent agenda as revised to include Resolution 15

Approved: Unanimously

### **Resolution 14**

(see Chelan PUD website for resolution)

- Casey Hall, Project Manager II, reviewed Resolution 14
- Bids received were non-responsive and the team recommends negotiation to secure materials
- Resolution 14. A RESOLUTION REJECTING ALL BIDS AND DECLARING THAT NO BIDS WERE RECEIVED FOR ANDREW YORK – ANDERSON CANYON #3 115KV GOODWIN BRIDGE RELOCATION – SUPPLY OF STEEL STRUCTURES (BID NO. 19-16) AND AUTHORIZING THE ANDREW YORK – ANDERSON CANYON #3 115KV GOODWIN BRIDGE RELOCATION – SUPPLY OF STEEL STRUCTURES BE OBTAINED BY NEGOTIATION

### **Resolution 16**

(see Chelan PUD website for resolution)

- Resolution 16 was covered during the presentation on the Stemilt contract
- Resolution 16. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AGREEMENTS GOVERNING THE CONSTRUCTION OF A CUSTOMER-BUILT SUBSTATION; LEASING A PARCEL OF LAND NECESSARY FOR CONSTRUCTION OF THE SUBSTATION; AND ACQUIRING BY LEASE A NEIGHBORING PARCEL OF LAND IN EXCHANGE

#### **MOTION**

Moved by: Commissioner McKenna

Seconded by: Commissioner Smith

To approve Resolutions 14 and 16 as presented

Approved: Unanimously

## **District-Wide Strategic Planning Survey**

(see Chelan PUD website for presentation)

- Justin Erickson, Managing Director of District Services, reviewed the draft customer-owner guide and survey
- The survey covers the criteria for Public Power Benefit projects and Rock Island relicensing, preferences on key actions, and space for additional comments; the survey has been updated based on focus group feedback
- The guide and survey will be mailed to all customer-owners and can also be taken online; the online survey will include additional resources, be interactive, and mobile-friendly
- All materials will also be provided in Spanish
- Will use ads, radio spots, social media, movie theater spots, and an employee open house to get the word out
- The student exercise at Pioneer Middle School was held today
- Justin presented follow up information on the questions from the last meeting regarding demographics for the Aesthetics and Growth survey
- An educational video about how the PUD works was shown; Commissioners gave positive feedback on the video content and design

## **Manager Items**

- Bill Towey, Fisheries Scientist, and Marcie Clement, Water Resources Program Manager, gave an update on the Chelan River Biological Objective status
  - The Chelan River biological status report has been successfully submitted to the Federal Energy Regulatory Commission (FERC) and the Department of Ecology
  - This report is the culmination of a 10-year process to improve steelhead and chinook spawning; it is now on par with productivity levels on the upper Columbia
  - The District will work with the Department of Ecology to set new water standards, which will set a precedent for how standards are set in the state
- Kirk Hudson, Managing Director of Generation and Transmission
  - Andritz has developed a preliminary report on the B6 and B9 vibration analysis; the B10 issue may be related so the final report will be delayed while that unit is inspected
  - Concluded our Western Electric Coordinating Council (WECC) audit last week; the preliminary report shows no findings
    - Timeline is 30 days for a draft report and 60 days for the final report; this is a great accomplishment
- Gregg Carrington, Managing Director of Energy Resources, gave a strategic planning topic team update
  - The team held their final meeting to discuss economic development and retail/wholesale mix; a list of recommendations has been developed and is out to the group for final edits
  - Once the recommendations have been finalized, the team will choose their top 2-3 recommendations
- Steve Wright, General Manager
  - The District's application to FERC regarding the Entiat Marina was sent last week and has been approved
  - The Governor signed the clean energy bill last week and that now moves to the rule-making phase; staff will be discussing impacts to Chelan PUD
  - PG&E had a hydro project that received a 46-year license term; they appealed under the early action rule and were successful based on the new language
    - This is good news in terms of our activity
  - Suzanne Grassell, Government Affairs Program Manager, was part of a group that gave a congressional briefing on the Reinvigorating Hydropower paper the District jointly published with NHA
    - Steve presented the paper to the NHA CEO Council last week and they are developing an action plan
    - This week, Steve will present at a conference in Portland where we are looking to create alliances with others on the six action items outlined in the paper

**Commission Items**

- Commissioners Smith and Arseneault will participate in the WPUA Strategic Planning meeting this week; the July WPUA meeting will be held in Leavenworth
- Commissioner Arseneault will attend the United States Energy Association award ceremony in Washington DC; the District being honored for our efforts with the Ugandan Power Agency

**Commissioner Travel**

- Lisa Sanders, Finance Admin Assistant, reviewed upcoming Commissioner travel

**Follow Up on Delegation of Action Items from the 4/29/19 Board Meeting**

- Cocker Fennessy will provide demographic information of respondents in relation to Question 18 regarding building infrastructure in advance of need – reported today
- Cocker Fennessy will provide a comparison of respondent education level and retiree status to the county as a whole – reported today
- Ron Slabaugh will let Commissioners know how many Peshastin Water District customers attend the next two meetings regarding a potential acquisition – Steve Wright emailed on 5/9/19

**Follow up on Action Items from Previous Meetings**

- Kirk Hudson will report on the root cause of B6 and B9 vibration issue, once determined – updated timeline reported today

**Delegation of Action Items**

- Gregg Carrington will provide a better understanding of the energy commitments graph in the Energy Resources Quarterly report
- Rebekah Garfein will follow up with Peter Spadoni on a tour of Stemilt’s Olds Station campus for Commissioners Arseneault and McKenna
- Rebekah Garfein will follow up on a tour for Commissioners of the infrastructure supplying the Diamond Foundry service once construction is underway


**Executive Session**

President Arseneault convened an executive session at approximately 2:30pm 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) for approximately 30 minutes.

**Regular Session Reconvened at 3:04pm**

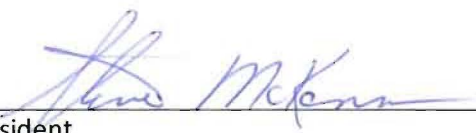
- President Arseneault stated no votes were taken and no decisions were made during Executive Session

There being no other business, the meeting adjourned at 3:04pm.





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President




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Vice President




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Secretary




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Commissioner




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Commissioner