

# Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington August 5, 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 August 5, 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 (by phone for the afternoon session)

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

**Others in attendance:** Steve Robinson, Pybus  
Leslie LaPore-Freytag, Pybus  
Mike Kaputa, Chelan County  
Kevin Overbay, Chelan County  
David Marden, Douglas Fire District 4  
Pat Brant, Douglas Fire District 4  
Jim Oatey, Douglas Fire District 4  
Kalie Drago, KPQ AM

*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 10:08am

## **Pledge of Allegiance and Safety Minute**

(see Chelan PUD website for presentation)

- Sarah McCue, Administrative Assistant and Short Term Trader, led the pledge of allegiance and provided a safety minute on vaccinations

## **Agenda**

- Resolutions 18 and 19 were moved to the consent agenda; the agenda was approved as revised

## **Pybus Public Market Executive Director**

(see Chelan PUD website for presentation)

- Steve Robinson, Pybus Executive Director, thanked Commissioners for support in various projects and introduced Leslie LePore-Freytag, Transitional Executive Director
- Steve's last day is next Thursday; Leslie looks forward to continuing working with PUD Commissioners

### **Quarterly District Performance Plan Status Update**

(see Chelan PUD website for presentation)

- Managing Directors provided updates on items that have been completed or are at risk of not meeting milestone deadlines
- Kirk Hudson, Managing Director of Generation and Transmission, will report on item 2.G. at the next meeting
- Metric 3.B.1. is related to Dryden wastewater; this will create rate challenges over the next 5 years
- Cryptocurrency customers dropped by about half upon implementation of that rate; we have received no new applications

### **Quarterly Financial Review and Investment Report**

(see Chelan PUD website for presentation)

- Mark Mullins, Director of Enterprise Plan Risk Analytics, and Craig Kunz, Manager of Strategic Financial Planning, reviewed the second quarter financial and investment results
- Reviewed how insurance settlement funds were recorded in the financial statements
- Off-system, end use sale refers to the Microsoft contract as the end user is not part of our local load
- Without the insurance settlement funds, Rocky Reach cost of production would have been closer to 11 cents
- The fiber portal replacement capital project has been reclassified as Operating & Maintenance expense at about \$1M; if executed, that project will push the fiber cost per active premises above budget
- Key highlights:
  - Bottom-line results better than budget
    - Power contract revenues and insurance proceeds from Rocky Reach large unit claim settlement offset impacts from low stream flow conditions and unit outages
  - Financial metrics meeting targets
  - Recommend staying the course with our strategic goals
    - Reinvest in assets and people, reduce debt, continue Public Power Benefit program

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

(see Chelan PUD website for presentation)

- Dave Nelson, Generation and Transmission Business Advisor, reviewed a second quarter summary of major capital projects, project budget revisions, active contracts over \$1M, and negotiated contracts
- Capital projects are mostly for 2020, but are now included in budget and financial forecasts

### **Rocky Reach Facilities Next Step**

(see Chelan PUD website for presentation)

- Casey Hall, Project Manager II, gave an update on Rocky Reach facilities in preparation for a resolution for board consideration to issue a Guaranteed Maximum Price Amendment to Lydig Construction for the phase 1 early site work and demolition package
- Discovered changes needed since original site design to maximize efficiency and meet Central Maintenance needs; current program reflects adjacency of CM24 (crew building) with CM22 (shop buildings)
- Reviewed the project schedule; phase 1 is early site work and demolition and phase 2 is structures
  - Want to maximize the phase 2 package so we can time it for best weather
  - Bidding phase 2 on a separate timeline also eliminates having two contractors in the worksite, which will improve safety and ease of movement around the site

### **Rock Island C19 Building Update**

(see Chelan PUD website for presentation)

- Sam Dilly, Project Manager III, and Micah Lenderman, Senior Management Analyst, reviewed the business case analysis for construction of the C19 building at Rock Island

- C19 includes a multipurpose room, kitchen, bathrooms, offices, conference room and reception area
- If we didn't build C19, there would be remodel costs associated with buildings C13 and C14 along with modular rental costs
- Location of C19 has been changed from the lower level to the upper level, which improves lower-level congestion and locates crews adjacent to other staff with whom they interact
- Reviewed pros and cons of all alternatives that were considered
- The business case shows \$55M in benefits for about \$44M in project costs; this is less cost than rehabilitating older buildings and provides a better benefit than building rehabilitation
- Staff recommends moving forward with Alternative 3; reasons include:
  - Best site based on current knowledge
  - Reduces congestion, improves safety and efficiency
  - Improves flexibility for future uses at upper and lower areas
  - Optimize location and integration with other facilities
  - Benefits exceed other alternatives
- Next steps include close-out resolutions in August and September for the Rock Island Lower Facilities Utility Project and Hydro Site Utility Improvements, then in November a 2019 Budget and 5-Year Plan Amendment and a GC/CM Contract Amendment

**Recessed at 12:10pm and Reconvened at 1:00pm**

**Public Hearing - Surplus 45 Acre Parcel Located South of Beebe Bridge on US 2/97 in Douglas County**  
(see Chelan PUD website for presentation)

- Vicki Griffin, Real Estate and Permitting Manager, and Lisa Graves, Real Estate Specialist III, reviewed information on a proposed land surplus for 45 acres south of Beebe Bridge on US 2/97 in Douglas County
- Pat Brant, from Douglas County Fire Protection District 4, addressed Commissioners
  - Due to insurance rating changes, the Fire District has been looking for a location farther east for about 10 years to serve customers on the far end of the Beebe development and up McNeil Canyon
  - This is an ideal location for their new fire station and they thanked the PUD for working with them on this

**Resolution 10**

(see Chelan PUD website for resolution)

- Vicky Griffin, Real Estate and Permitting Manager, and Lisa Graves, Real Estate Specialist III, reviewed Resolution 10
- Resolution 10. A RESOLUTION DECLARING A 45 ACRE PARCEL OF REAL PROPERTY LOCATED SOUTH OF BEEBE BRIDGE ON US 2/97 IN DOUGLAS COUNTY SURPLUS TO DISTRICT NEEDS AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE A PURCHASE AND SALE AGREEMENT WITH DOUGLAS COUNTY FIRE PROTECTION DISTRICT NO. 4

**MOTION**

Moved by: Commissioner Bolz

Seconded by: Commissioner Congdon

To approve Resolution 10 as presented

Approved: Unanimously

**Strategic Planning Survey and Plan Update**

(see Chelan PUD website for presentation)

- Justin Erickson, Managing Director of District Services, gave an update on the strategic planning process including survey results, draft plan review, and schedule overview
- Customer-owner feedback on the survey topics:

- Public Power Benefit (PPB) Program and Early Action project criteria prioritization reflected the top three priorities being economic development, environmental stewardship, and recreation opportunities
- Most support economic development, but only with a low rate impact
- Most support Rock Island early actions to secure a longer license term, even if activities would not otherwise be required
- Would like us to be balanced leaning toward self-sustainability for the fiber, water, and wastewater business lines
- Prefer small, annual rate increases as opposed to a larger rate increase in the future
- Proposed Strategic Priorities:
  - Invest in assets and people and seek industry top quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology
  - Sustain excellent financial resiliency while mitigating the risk of large rate increases
  - Enhance the quality of life in Chelan County through programs that distribute the benefits of public power
  - Engage in countywide growth planning and job creation efforts while ensuring the District's rates and policies remain stable and predictable
- Proposed Strategic Objectives:
  - Commit to the highest level of customer-owner satisfaction
  - Invest in creating long term value
  - Protect natural resources impacted by operations
  - Ensure financial stability
  - Seek operational excellence through continuous improvement mindset (with an emphasis on efficiency, effectiveness, compliance, risk-assessment, and resiliency)
  - Advance human and organizational performance
  - Encourage innovation
- Reviewed planned actions to support strategic objectives and the schedule to conclude the strategic planning effort

### **Consent Agenda**

(see Chelan PUD website for resolutions)

President Arseneault presented the consent agenda, which included the following items:

- Minutes of the July 15, 2019 Regular Meeting and the July 15, 2019 Special Meeting
- Vouchers: Accounts Payable Summary Report dated July 31, 2019:
  - Vouchers totaling \$21,145,738.53;
  - Approval of Customer Deposit Returns and Conservation Incentive payments for the period July 10, 2019 through July 30, 2019 in the amount of \$53,026.29;
  - Approval of the net Payroll, Warrant Nos. 236587 through 236607 and Advice Nos. 676822 through 677633 for the pay period ending 07/07/2019 in the amount of \$2,057,042.79.
- Resolution 14. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1-6, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 17-70 WITH CACHE VALLEY ELECTRIC CO. OF SALT LAKE CITY, UT AND AUTHORIZING PAYMENT OF RETAINAGE
- Resolution 15. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2 AND 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 18-11 WITH HANCOCK SANDBLAST & PAINT LLC OF PASCO, WASHINGTON AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE
- Resolution 16. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2 AND 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER NEGOTIATED CONTRACT NO. 17-84 WITH CE POWER ENGINEERED SERVICES, LLC OF CINCINNATI OHIO AND AUTHORIZING PAYMENT OF RETAINAGE

- Resolution 17. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2, 3, AND 4 AND AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 17-51 WITH INTEGRATED POWER SERVICES, LLC OF PORTLAND, OREGON FOR THE ROCK ISLAND HOUSE UNIT STATOR REWIND
- Resolution 18. A RESOLUTION AUTHORIZING AMENDMENT NO. 5 TO CONTRACT NO. 06-50 WITH DANIEL L. SUN, INC. DBA SUN-NET CONSULTING OF SAN JOSE, CA TO PROVIDE CAISO WEBOMS INTEGRATION
- Resolution 19. A RESOLUTION ACCEPTING THE BID OF DELTA STAR, INC. (SCHEDULE A) AND JORDAN TRANSFORMER, LLC (SCHEDULE C) (BID 18-85) FOR THE SUPPLY OF MOBILE SUBSTATION REPLACEMENTS AND CABLE TRAILERS

MOTION

Moved by: Commissioner McKenna

Seconded by: Commissioner Congdon

To accept the consent agenda as presented

Approved: Unanimously

**Resolution 20**

(see Chelan PUD website for resolution)

- Jim White, Senior Energy Conservation Engineer, and Ingrid Miller, Program Manager for Debt and Grants Compliance, reviewed Resolution 20
- This project is under budget; we've replaced about 3800 streetlights in the county with no major concerns
- 57% of project costs were covered by the District, the Transportation Improvement Board covered 30% of costs, and the Commerce Department contributed another 13%; no further costs are anticipated for this contract
- Staff is working with the City of Cashmere and Department of Labor and Industries to finalize grounding issues in Cashmere; that work will not impact this contract
- Resolution 20. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 THROUGH 7 AND APPROVAL OF FIELD WORK ORDER/CHANGE ORDER NOS. 8 THROUGH 10 TO CONTRACT 18-37 WITH MICHELS CORPORATION, POWER DIVISION FOR THE CHELAN COUNTY LED STREETLIGHT CONVERSION

MOTION

Moved by: Commissioner Bolz

Seconded by: Commissioner Smith

To approve Resolution 20 as presented

Approved: Unanimously

**Manager Items**

- Chad Bowman, Director of Transmission and Compliance, gave an update on recent outreach to Plain and Lake Wenatchee regarding transmission lines
  - Held two community meetings in Plain and one in Leavenworth; heard from about 30 customer-owners who were largely supportive of rebuilding the line in its current location
  - Planning on a more formal presentation later this fall to focus on fire risk and the impacts of wildfires in California
- Michelle Smith, Director of Hydro Licensing and Compliance
  - Updated Commissioners on Daroga Park Trail Elimination
    - Received approval from FERC to remove a lingering new license requirement for a small trail south of Daroga Park; we have now completed all recreation items for Daroga and Lincoln Rock State Parks
  - Reported on the Horan Area Visioning Effort

- Internal team is moving ahead with strategic visioning along with State Parks staff to determine what would make the best habitat in that area; meeting with key stakeholders, then plan on a couple public workshops soliciting public feedback
- Anticipate that report to be completed in January 2020 in preparation to provide feedback on the City of Wenatchee's Confluence Parkway project
- Along with Mike Kaputa, Chelan County Director of Natural Resources, reported on a feasibility study for river access in Malaga and partnership with Chelan County on this effort
  - The feasibility study will determine if a railroad crossing can be obtained
  - The County's shoreline access project ranks Malaga as a top priority for providing river access
  - This would be part of relicensing early actions for Rock Island

#### **Commission Items**

- Commissioner Congdon had a good visit with Customer Service and Security staff this morning and encouraged Commissioners to visit with staff as a way to learn about different departments
- Commissioners expressed thanks to Commissioner Smith and Commissioner McKenna for organizing the July WPUA meeting in Leavenworth and hosting the welcome reception; Commissioner Smith thanked staff who helped organize tours at Rocky Reach
- Commissioner Arseneault
  - Recently attended a staff safety meeting and noted that staff were appreciative of having a Commissioner in attendance
  - Attended the Energy Northwest Board meeting and found it fascinating
  - Announced that the American Public Power Association is offering a rebate on new Nissan Leaf purchases through September; this rebate is for any PUD customer or employee and the amount varies by model

#### **Commission Travel**

- Lisa Sanders, Legal Administrative Assistant, reviewed upcoming Commissioner travel

Commissioner Smith departed the meeting at this time

#### **Follow Up on Delegation of Action Items from the 7/15/19 Board Meeting**

- Rebekah Garfein will work with Commissioner Arseneault on a budget revision to support Commissioner training – follow up completed on 7/16/19, no budget revision needed
- Erik Wahlquist will send Commissioners the two current real estate delegation resolutions along with the proposed new resolution – completed via email on 8/5/19

#### **Delegation of Action Items**

- Erik Wahlquist will outline potential tariff impacts to contracts and who carries that risk
- Erik Wahlquist will provide a written summary of the GC/CM process including benefits and risks
- Michelle Smith will provide additional information on the Horan Natural Area visioning effort including any upcoming meetings that are scheduled
- Michelle Smith will provide more detailed information on the land that may be considered for a future Confluence Parkway

#### **Executive Session**

President Arseneault convened an executive session at approximately 2:55pm 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) and to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g) for approximately 45 minutes.

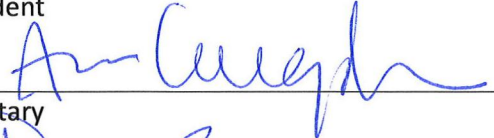
**Regular Session Reconvened at 3:27pm**

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

There being no other business, the meeting adjourned at 3:27pm.

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
President  


\_\_\_\_\_  
Secretary  
  
\_\_\_\_\_  
Commissioner