

Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington August 19, 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 19, 2019, at the hour of 10:00 am, pursuant to proper notice thereof.

Commissioners present: Garry Arseneault, President
Dennis Bolz (by phone)
Ann Congdon (by phone)
Steve McKenna
Randy Smith

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

The meeting was not recorded due to a technical difficulty; the minutes provide additional details

Call To Order

- President Arseneault called the meeting to order at 10:00am

Pledge of Allegiance and Safety Presentation

(see Chelan PUD website for presentation)

- Tim Pettit, Director of Safety and HPI, led the pledge of allegiance and provided information on Human Performance Improvement and the importance of having a questioning attitude
- Tim reviewed recent incidents that made local and national news
 - As we drift from our defenses, the choices we make can have lasting consequences
 - Understand the reason we have defenses in place (our why); create a different mindset in how you approach everyday life

Agenda

- Resolution 14 was moved to the consent agenda; the agenda was approved as revised

Cycle of Personal Ownership (CPO) Winner Recognition

(see Chelan PUD website for presentation)

- Steve Wright, General Manager, recognized the July winner Alex Burkard, Contract Specialist II

Support of Snake River Dams

(see Chelan PUD website for resolution)

- Commissioner Smith presented a draft resolution for consideration outlining the value of the Snake River dams and the hydro system

- Statewide, at least 16 utilities have passed similar resolutions supporting the Snake River Dams
- The Commission will consider approval of this resolution at their September 16 meeting

Water and Wastewater Rates

(see Chelan PUD website for presentation)

- Lindsey Mohns, Customer Utilities Business Manager, provided information on water and wastewater long-term rate planning
- In response to customer-owner feedback on how self-sustaining the water and wastewater business lines should be, Lindsey reviewed tools available to improve sustainability
- Lindsey provided information on new financial policy options related to operating coverage ratio and debt service as a percentage of revenue
- Any rate increases would be in lieu of a 2% annual rate increase previously contemplated, not in addition to
- The water business line progresses toward sustainability in 8 years with a 4% annual rate increase
- The wastewater system is more challenging and the operating ratio threshold was not met within a 10-year window under any of the considered scenarios
 - A one-time Public Power Benefit (PPB) funding of \$1.5M for wastewater projects would set the system up for success, allowing it to meet operating ratio targets in 7 years with a 5% annual rate increase

Draft Strategic Plan

(see Chelan PUD website for presentation and draft document)

- Justin Erickson, Managing Director of District Services, provided an update on the Strategic Plan along with the draft document
- Justin reviewed strategic objectives, which are changed slightly from the 2015-2019 plan, the four strategic priorities, and planned actions for each key topic area
- A slight revision to the schedule proposes the Commissioners consider approval at the October 7 meeting, allowing time for public comment at the September 16 meeting and giving Commissioners more time to consider comments
- Public open houses are planned for September 5 at the Confluence Technology Center and September 9 in Leavenworth
- The Board commended Justin and other staff on the process used to seek public input in drafting the strategic plan
- Commissioners gave a head nod of approval to proceed with releasing the draft strategic plan for public comment and proceeding with the proposed schedule for approval

Quarterly District Performance Plan Status Update

(see Chelan PUD website for presentation)

- Kirk Hudson, Managing Director of Generation and Transmission, reported on items related to the hydro units under Objective 2
- 2.G.1. – return unit C1 to service
 - We've had some delays; it is the first C1-7 unit on which we are replacing trunnion bushings
 - Target completion date has been revised from September 30 to October 31; that date may need to be adjusted further based on unit C9 work
- 2.G.2. – return unit C9 to service
 - Have had wicket gate QA/QC issues
 - That unit is being reassembled, which will create a bottleneck for commissioning activities
 - We would prioritize commissioning unit C9 in October, then move to unit C1 in December
- 2.G.3. – begin C10 disassembly for turbine repairs by 10/31
 - Unit C10 was scheduled for disassembly in October, but that will be held until unit C9 is back in service
- 2.H.1. – return unit B7 to service by September 30

- That turbine has been held in the shop due to finding parts in the hub of unit B10
- Understanding what happened on unit B10 could impact the design of unit B7
- Reporting on the cause of vibration in units B6 and B9 was a previously-delegated action item
 - A workshop was held with Andritz on August 7
 - Andritz completed a root cause analysis and found three contributing factors:
 - Deflection of the long operating rod that adjusts the turbine blades
 - Friction on units B5 and B10 trunnion bushings
 - Instead of blades moving constantly, they are experiencing a stick-slip phenomena; an increase in vibration was observed each time the blade slips
 - Insufficient design of guide keys and fasteners
 - Andritz is working on a solution for the bushings, rod, and guide keys; our team concurs with the proposed solution
 - Anticipate this solution will improve the vibration issue and increase confidence in the life of the units
 - Will implement this solution on units B10 and B7, which will push their completion dates to second quarter 2020
 - Likely cannot eliminate the stick-slip issue completely, but can minimize impacts; staff will be reprogramming the governor unit to reduce slight movements of the blades, setting a minimum limit on the amount of movement required before an adjustment is made
- 2.H.2. – return unit B4 to service by September 30
 - A new shift ring has been ordered for this unit; return to service is delayed from September to near the end of the year
- 2.H.3. – begin B3 disassembly by 10/1
 - The delay on B4 will likely delay the start of work on unit B3
- 2.J. – Rock Island Powerhouse 2 modernization
 - The Request for Qualifications (RFQ) and Request for Proposals (RFP) has been advertised and we have three finalists
 - Goal was to select the contractor by the end of this year; we introduced a new requirement for the proposal, to evaluate oil-free turbine hub options and have given contractors more time to complete that effort
 - It will likely be Q1 or Q2 2020 before we fully evaluate those proposals and choose a contractor

Quarterly Energy Resources Update

(see Chelan PUD website for presentation)

- Gregg Carrington, Managing Director of Energy Resources, Janet Jaspers, Energy Planning and Trading Manager, and Andrew Grassell, Energy Development and Conservation Manager, reviewed second quarter results
- The District's 2019 Net Wholesale Revenue and other energy-related revenues forecast for 2019 is \$124.5 million, which is \$11.5 million above budget
- Forecasted specified source energy sales contribute \$5.4 million to the Net Wholesale Revenue forecast, which is \$1.2 million lower than budget; this reduction is due to lower than normal supply because of low water year
- New Microsoft contract to serve Redmond/Bellevue campus successfully implemented on April 1, 2019
- Energy efficiency programs performance is strong, well on the way to surpassing targets
- The team is monitoring major changes in the western power market
- During review of our energy commitments, it was noted we do have one index sale that put us above hedge limits; we're ok to ride that out 2020-2022

Human Resources Legislative Update

(see Chelan PUD website for presentation)

- Lorna Klemanski, Managing Director of Human Resources, gave an update on 2019 legislative actions and their impacts to the District
- 14 pieces of legislation that apply to the District were enacted; state and federal agencies are engaged in the rulemaking process
- Most bills require little or no action, other than administrative burden
- Reviewed three bills that may or will have significant impacts including long-term care support, paid family medical leave, and wrongful death or injury
- Staff remains engaged during the rulemaking process
- The Department of Labor and Industries Minimum Wage Act is undergoing changes
 - We've provided input on the salary thresholds; under the current proposal, the limit would cause half of current salaried exempt employees in the state to become eligible for overtime and impact 19 District employees
 - Under this proposed rule, it could cost over \$30k to adjust those employees' salaries to meet the new minimum threshold and about \$90k to make further equity adjustments

Manager Items

- Jennifer Burns, Environmental and Cultural Resources Program Manager, reported on the American Cultural Resources Association 2019 Industry Award received by the District
 - The District was nominated for ongoing commitment to address cultural resources in ways that go above and beyond simple compliance with the law, such as meaningful consultation with Native American tribes, free history booklet for public education, operation of a physical museum, establishment of an advisory working group of agency and tribal experts on cultural resources, respectful treatment of human remains, and development of a management plan for a traditional cultural property
 - The award will be presented on October 26 at Barrister Winery in Spokane; Commissioners are invited to attend
 - Jennifer was recognized as the lead in this program and for her efforts to create the needed stakeholder outreach
- Michelle Smith, Director of Hydro Licensing and Compliance, reported on Federal Energy Regulatory Commission's (FERC) response to our early action request
 - FERC determined that over \$6M in rehab work at Rock Island, our Habitat Conservation Plan efforts, and spillway gate hoist work at Rock Island will be considered for relicensing early action during the next relicensing process
 - This is great news for the District and the hydropower industry
 - Efforts on early action credit spanned nearly five years; kudos to Suzanne Grassell, Government Affairs Program Manager, and others
- Curtis Cole, Manager of Business Intelligence and Data Analytics, reviewed the Q2 Commissioner Dashboard
 - This is a summary of key metrics, published on BoardEffect and updated quarterly
- Andy Wendell, Director of Customer Service and Stakeholder Outreach, gave an update on growth in Stehekin
 - Short-term plan is to extend energy conservation efforts to customer-owners in Stehekin
 - Will host drop-in sessions on September 13 and 14 for customer-owners to pick up lighting retrofits and talk about the Stehekin system
 - Planning one-on-one conversations with key stakeholders prior to September 13
 - Community feedback will inform the District's long-term options in Stehekin
- Court Hill, Project Manager II, reviewed a lesson learned on Resolution 13
 - During the process to update contract general conditions, it was noted that, especially on complex projects, contractors need to provide a project manager

- They are good about providing a site superintendent, but we can struggle with schedule management

Recessed at 12:01pm

Commissioners Arseneault and Congdon left at this time

Reconvened at 1:00pm

Consent Agenda

(see Chelan PUD website for resolutions)

Vice-President McKenna presented the consent agenda, which included the following items:

- Minutes of the August 5, 2019 Regular Meeting
- Vouchers: Accounts Payable Summary Report dated August 14, 2019:
 - Vouchers totaling \$8,646,548.21;
 - Approval of Customer Deposit Returns and Conservation Incentive payments for the period July 31, 2019 through August 13, 2019 in the amount of \$20,514.00;
 - Approval of the net Payroll, Warrant Nos. 236627 through 236647 and Advice Nos. 678441 through 679253 for the pay period ending 08/04/2019 in the amount of \$2,084,050.13;
 - Approval of Warrant Nos. 25832 through 25913 totaling \$47,653.35 for claim payments from the workers' compensation self-insurance fund for the period ending August 12, 2019.
- Resolution 12. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 19-03 WITH SELLAND CONSTRUCTION, INC. OF WENATCHEE, WASHINGTON FOR THE ROCK ISLAND LOWER FACILITIES UTILITY PROJECT AND AUTHORIZING PAYMENT OF RETAINAGE
- Resolution 13. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1-3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 18-46 WITH STETNER ELECTRIC, INC. OF QUINCY, WA AND AUTHORIZING PAYMENT OF RETAINAGE
- Resolution 14. 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

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Bolz

To accept the consent agenda as revised

Approved: Unanimously

Resolution 15

(see Chelan PUD website for resolution)

- Casey Hall, Project Manager II, reviewed Resolution 15
- Phase 1 was accelerated to maximize the construction window for structures and to alleviate site congestion
- Resolution 15. A RESOLUTION AUTHORIZING THE ISSUANCE OF A GUARANTEED MAXIMUM PRICE (GMP) AMENDMENT TO LYDIG CONSTRUCTION, INC OF SPOKANE VALLEY, WA TO PROVIDE THE ROCKY REACH CENTRAL MAINTENANCE FACILITY IMPROVEMENTS TO THE GENERAL CONTRACTOR CONSTRUCTION MANAGER (GCCM) SERVICES FOR THE ROCK ISLAND AND ROCKY REACH HYDROELECTRIC SUPPORT FACILITY IMPROVEMENTS PROJECT

Resolution 16

(see Chelan PUD website for resolution)

- Mark O'Bryan, Technical Project Manager, reviewed Resolution 16

- This extends the Customer Information System (CIS) project to January 20, 2020 for additional staff testing and training and extends Blue Heron’s support over that period
- Key drivers for the project extension:
 - Complexities of new system (top tier system, newly deployed) developed with an AMI system in mind
 - Additional functionality for future meter data management
 - Support delays with third-party vendors
 - Implementing several new technologies with systems-oriented architecture
 - Learning curve on the technical side
 - Current system was up and running over 15 years; revised over the years and updated to meet customer expectations and demands
 - There are a lot of processes to recreate in the new system
 - Want to insure the system is accurate, bills are timely, and staff is not unduly impacted by workarounds when we go live
- Resolution 16. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO EXECUTE CHANGE ORDER NO. 3 TO PROFESSIONAL SERVICES AGREEMENT 17-201 WITH BLUE HERON CONSULTING, INC. (“BHC”) FOR IMPLEMENTATION SERVICES FOR THE ORACLE CUSTOMER INFORMATION SYSTEM AND METER DATA MANAGEMENT SYSTEM (CIS/MDMS) PROJECT AND AUTHORIZING REVISION OF THE CAPITAL PROJECT BUDGET FOR THE CIS/MDMS PURCHASE AND IMPLEMENTATION

Resolution 17

(see Chelan PUD website for resolution)

- Scott Tidd, Manager of Engineering and Project Management, reviewed Resolution 17
- This allows payment for work completed and converts to the bid option for one unit at a time, rather than three
- Resolution 17. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 6, 7 AND 9, AND APPROVING EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NOS. 8 AND 10, FOR CONTRACT NO. 16-60 WITH ANDRITZ HYDRO, INC. OF CHARLOTTE, NC FOR ROCK ISLAND B1 – B4 GENERATING UNIT MODERNIZATION

Resolution 18

(see Chelan PUD website for resolution)

- Scott Tidd, Manager of Engineering and Project Management, reviewed Resolution 18
- The title of this resolution will be updated to include Field Work Order/Change Order #4-07
- This resolution allows payment for work completed
- Resolution 18. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 24, 2-02, 2-03, 2-04, 2-05, 2-06, 2-07, 2-08, 2-09, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-16, 3-07, 3-08, 4-03, 4-04, AND 4-05 AND APPROVING EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NOS. 4-04A, AND 4-06, UNDER CONTRACT NO. 04-01 PART B FOR THE ROCK ISLAND B5 – B10 REHABILITATION PROJECT WITH ANDRITZ HYDRO CORP.

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Bolz

To approve Resolutions 15, 16, 17, and 18 as presented

Approved: Unanimously

Follow Up on Delegation of Action Items from the 8/5/19 Board Meeting

- 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 – completed via email on 8/15/19

- 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 – completed via email from Justin Erickson on 8/19/19

Follow up on Action Items from Previous Meetings

- Senior Management Team will review dashboard measures and provide feedback on categories; Q2 dashboard provided to the Commissioners – reported today during Manager Items
- Mike Coleman will gather information on what service providers are doing to help low-income fiber customers – completed via email from Steve Wright on 8/12/19
- Kirk Hudson will report on the root cause of B6 and B9 vibration issue, once determined – reported today during District Performance Plan update on hydropower projects

Delegation of Action Items

- Ron Slabaugh – Once a new wastewater system is installed in Peshastin, will we be able to definitively measure the phosphorus?
- Andy Wendell will share the agenda for outreach in Stehekin on September 13 and 14

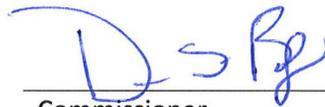
There being no other business, the meeting adjourned at 1:24pm.



President



Secretary



Commissioner



Vice President

Commissioner