

Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington November 19, 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 November 19, 2018, at the hour of 10:00 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:

Peter Fraley	Roberto Ocampo	Jim Kuntz
Allison Williams	Gail McDonough	Jeanne Poirer
Kelly Jamison	David Harrison	Jefferson Robbins
Kyle Lamb	Bryce Greenfield	Tom O'Connell
Brae Runnels	Dave Smith	Mike Kaputa

Call To Order

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

Pledge of Allegiance and Safety Minute

- Vicky Nordentoft, Security Administrative Assistant, led the pledge and provided a safety minute on new badge readers

Agenda

- Resolutions 14 and 15 were moved to the consent agenda; the agenda was approved as revised

Cycle of Personal Ownership (CPO) Recognition

(see www.chelanpud.org for presentation)

- Steve Wright, General Manager, recognized the October CPO winners Casey Hall, Project Manager, and Mark Hoefner, Environmental Compliance Technician

Quarterly Energy Resources Update

(see www.chelanpud.org for presentation)

- Gregg Carrington, Managing Director of Energy Resources, Janet Jaspers, Energy Planning and Trading Manager, and Andrew Grassell, Customer Energy Solutions, reviewed the quarterly Energy Resources report

- The District's 2018 Net Wholesale Revenue and other energy-related revenues are forecasted to be about \$10.1M above budget
- Specified source energy sales are expected to exceed budget by \$1.2M
- Energy efficiency programs are working toward meeting both the compliance and stretch goals
- Installation of LED streetlights has begun
- Gregg anticipates updating the presentation of this material to better show the variables that are impacting net wholesale revenue

Quarterly Projects, Contracts, and Project Revisions Update

(see www.chelanpud.org for presentation)

- Dave Nelson, Business Advisor, reviewed third quarter changes to major project timelines and project budget revisions; no contracts were negotiated during the quarter

Strategic Facilities Plan

(see www.chelanpud.org for presentation)

- Dan Frazier, Director of Shared Services, reviewed outstanding agreements related to the Horan property
- A variety of options are included in the agreements to give the Board choices as they determine how to move forward on the Strategic Facilities Plan; this is not a decision to move

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Arseneault

To set a public hearing to take comment on December 3, 2018 at ten o'clock am for the purpose of the proposed sale of Chelan County PUD Confluence Technology Center (CTC) Condominium Units LL1, 201 and related Limited Common Elements, along with two generators, two cooling towers and related appurtenances, as part of an intergovernmental disposition between Chelan County PUD and the Port of Chelan County, and directing staff to publish public notice as required by RCW 39.33.020

Approved: Unanimously

Fees and Charges Update

(see www.chelanpud.org for presentation)

- Cathy Melton, Customer Service Program Analyst, and Lindsey Mohns, Business Manager, reviewed recommended changes to fees and charges including up-front charges related to proposed Schedule 36
- Updates included rates for service connection fees, secondary service poles, HDL/Cryptocurrency application fees, distribution and transmission upfront costs, and pole attachment fees
- Revisions would be effective January 1, if approved

Advanced Metering RFP Update

(see www.chelanpud.org for presentation)

- John Stoll, Managing Director of Customer Utilities, and Mark OBryan, Customer Utilities Technical Project Manager, reviewed work completed since the last report to the Board
- Mark reviewed background information on the upcoming RFP and next steps

Manager Items

- John Stoll, Managing Director of Customer Utilities, reported on the Upper Valley Regionalization effort
 - The report has been finalized; the outcome of the report did not change
 - This effort is concluded and report results have been offered to participants
- Steve Wright, General Manager, reported that staff recently met with the Peshastin Water District Board regarding their request that we acquire their system

- Staff will be evaluating their financials and want to understand community support for this proposal
- Kirk Hudson, Managing Director of Generation and Transmission, and John Sagerser, Manager of Engineering and Project Management, reported on the Rock Island Powerhouse 2 RFQ/RFP process
 - Previously received authorization to advertise the RFQ; our consultants have advised delaying that slightly in order to include the RFP and form of contract to give contractors a broader view of the project
 - We do not expect this to impact the overall project timeline

Staff Recognition

- President Bolz recognized Suzanne Hartman on her retirement
- Tracy Yount recognized Suzanne's dedication, including many hours spent organizing and staffing events
- Commissioners expressed their appreciation to Suzanne

Recessed at 12:00pm and Reconvened at 1:02pm

Public Hearing – Cryptocurrency Rate and Moratorium

(see www.chelanpud.org for presentation)

- Lindsey Mohns, Business Manager, provided an update on the proposed cryptocurrency rate (Schedule 36)
- Lindsey reviewed themes of public feedback and staff response, proposed rate schedule, proposed moratorium approach, and proposed rate implementation timeline
- Three members of the public provided comment to Commissioners
- The staff report in support of the rate will be published next week
- It was noted that the next hearing will be held at 10:00am

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Arseneault

In order to allow time for the Board to consider the rate proposal, move to continue the moratorium and set the next public hearing for December 3, 2018, during the Board's regular meeting and direct staff to prepare a rate resolution

Approved: Unanimously

Public Hearing – 2019 Preliminary Budget Presentation

(see www.chelanpud.org for presentation)

- Craig Kunz, Manager Strategic Financial Planning, and Debra Vaughn, Strategic Financial Planning Analyst, reviewed changes to the 2019 preliminary budget since the last public hearing
- Changes include refinements to the net capital budget, net wholesale revenue forecast, O & M plans, and the depreciation estimate
- The changes amount to a bottom line reduction of \$0.9M

Consent Agenda

- President Bolz presented the consent agenda which included the following items:
 - Minutes of the November 5, 2018 Special Meeting and November 5, 2018 Regular Meeting
 - Vouchers: Accounts Payable Summary Report dated November 14, 2018:
 - Vouchers totaling \$6,087,646.72;
 - Approval of Customer Deposit Returns and Conservation Incentive payments for the period October 31, 2018 through November 13, 2018 in the amount of \$14,420.68.
 - Approval of the net Payrolls, Warrant Nos. 236231 through 236252 and Advice Nos. 662849 through 663624 for the pay period ending 10/28/2018 in the amount of \$2,054,583.31; and

- Approval of Warrant Nos. 24973 through 25007 totaling \$35,578.96 for claim payments from the workers' compensation self-insurance fund for the period ending November 13, 2018.
- Resolution 13. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2, AND 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER CONTRACT 16-175 (INTERNALLY ASSOCIATED WITH 16-01) WITH CACHE VALLEY ELECTRIC COMPANY OF SALT LAKE CITY, UT AND AUTHORIZING PAYMENT OF RETAINAGE
- Resolution 14. A RESOLUTION APPROVING BIDDING DOCUMENTS FOR (BID NO. 18-67) FOR 28 MVA, 115/12.47 KV SUBSTATION POWER TRANSFORMERS AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT
- Resolution 15. A RESOLUTION RATIFYING FIELD WORK ORDER NO. 1 AND APPROVING FIELD WORK ORDER/CHANGE ORDER NO. 2 TO CONTRACT NO. 16-93 WITH ELECTRIC RESEARCH & MANUFACTURING COOPERATIVE FOR SUPPLY OF OVERHEAD AND UNDERGROUND TRANSFORMERS

MOTION

Moved by: Commissioner McKenna
 Seconded by: Commissioner Arseneault
 To accept the consent agenda as amended
 Approved: Unanimously

Resolution 16

(see www.chelanpud.org for resolution)

- Vern Chamberlain, Project Management Manager, presented Resolution 16
- This contract is bid based on estimates; in 2018 the work exceeded the contract
- A new process has been put in place to more closely monitor and assign available funds; work will not be started until funding is confirmed
- Resolution 16. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1 THROUGH 3, AND APPROVING FIELD WORK ORDER/CHANGE ORDER NO. 4 TO CONTRACT NO. 16-81 WITH RAYFIELD BROS. EXCAVATING, INC. FOR UNIT PRICE EXCAVATION SERVICES

Resolution 17

(see www.chelanpud.org for resolution)

- Bob Shane, Director of Network Operations, presented Resolution 17
- Resolution 17. A RESOLUTION AUTHORIZING CONTINUATION OF SERVICES UNDER SERVICE AGREEMENT (SA NO. 13-028) WITH NORTHWEST OPEN ACCESS NETWORK (NOANET) TO PROVIDE NETWORK OPERATIONS CENTER SERVICES

MOTION

Moved by: Commissioner Congdon
 Seconded by: Commissioner Smith
 To approve Resolutions 16 and 17 as presented
 Approved: Unanimously

Manager Items

- Chad Bowman, Director Transmission and Compliance, reported on CAISO Reliability Coordinator Services
 - PEAK Reliability currently covers the Western Interconnection and will be closing on 12/31/19
 - The reliability coordinator transition is seen as the highest reliability risk in the West in 2019; this will be a high priority for us in the next year
- Chad Bowman and Mike Kaputa, Director Chelan County Natural Resources, reported on the Nason Creek Rechannelization and Transmission Pole Relocation project

- Chad recognized Steve Wickel, Transmission Engineering Manager, and Jim Caldwell, Senior Transmission Systems Engineer, for their work on this project over 8 years
- Construction was grant funded and we were able to increase reliability
- The relocation of transmission poles allowed the Nason creek channel to be fully connected; this is important for salmon recovery in the Wenatchee Basin
- Robb Davis, Staff Attorney, reported on the Bonneville Power Administration (BPA) Transmission Rates Settlement
 - BPA hosted workshops to update their transmission tariff; they are moving away from the FERC process
 - We have a transmission agreement with them for Nine Canyons; it is beneficial for us to update this more frequently
 - BPA has indicated an intention to remove limits on the price at which customers can resell transmission services, which could help us
 - BPA will keep the hourly firm transmission product, but we anticipate a reduction in the amount and how far in advance it must be scheduled
- Steve Wright, General Manager, noted that the proposed carbon tax did not pass during the recent election
 - There has been a big effort toward a clean energy standard that would include hydro and a price on carbon in the energy sector only
- Steve Wright recently met with FERC Commissioner Cheryl LaFleur on early action credits
 - FERC will have to interpret the new language
 - Expect additional conversations as FERC moves forward on implementation
- Steve Wright recently spoke at the APPA Public Power Forward Summit
 - A lot of issues and new technology were discussed; staff will likely spend time on electric vehicles in the next year
 - APPA also has a DEED program in which we plan to participate; cost is less than \$12k and allows us to see what other utilities have done

Commission Items

- Commissioner Smith noted that upper valley commissioners from the PUD, Port, and County have been meeting regularly; he encouraged Commissioners to consider similar meetings with other commission counterparts and state representatives

Follow Up on Delegation of Action Items from the 11/5/18 Board Meeting

- Kirk Hudson will report on the root cause of B6 and B9 vibration issue, once determined – will be reported at a future meeting
- Kelly Boyd and Erik Wahlquist will determine implications of proceeding with paperless board meeting software and the right tools to implement
 - It has been determined that the District can provide hardware to support the paperless boardroom initiative
 - Commissioners agreed to move forward with BoardEffect

Delegation of Action Items

- Mark OBryan will provide security requirements for AMI
- Bob Shane will report on whether members of NOANET receive differentiated pricing for network operations center services and what obligations are connected with NOANET membership (financial or otherwise)

Executive Session

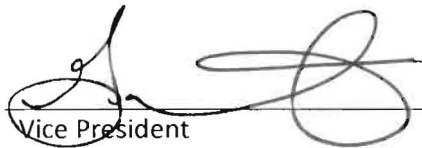
President Bolz convened an executive session at approximately 2:35pm to discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a

party, and/or legal risks, as authorized by RCW 42.30.110(1)(i), to consider information regarding the infrastructure and security of computer and telecommunications networks, security and service recovery plans, security risk assessments and security test results to the extent that they identify specific system vulnerabilities pursuant to RCW 42.30.110(1)(a)(ii), and 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) for approximately 60 minutes.

Regular Session Reconvened at 3:25pm

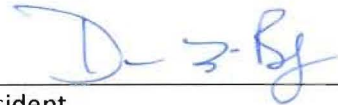
- President Bolz stated no votes were taken and no decisions were made during Executive Session

There being no other business, the meeting adjourned at 3:25pm.



Vice President

Commissioner



President



Secretary



Commissioner