

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY  
327 N WENATCHEE AVENUE  
WENATCHEE WA 98801**

**REGULAR COMMISSION MEETING**

**FEBRUARY 3, 2020**

**STUDY SESSION**

**10:00 AM**

1. Pledge of Allegiance and Safety/HPI Minute – Scott Hanson
2. Approval of the Agenda  
*Any item on the Consent Agenda shall be subject to transfer to the Regular Agenda upon request of any Commission member*
3. Quarterly District Performance Plan Status Update
4. Quarterly Financial Review and Investment Report
5. Legislative Update
6. Purchase and Sale Agreement for McDougal Property

**BUSINESS SESSION**

**1:00 PM**

7. Public Hearing – Electric, Water, Wastewater, and Fiber Rates

**Consent Agenda**

8. Minutes of the January 20, 2020 Regular Meeting
9. Vouchers: Accounts Payable Summary Report dated January 29, 2020:
  - a. Vouchers totaling \$13,121,410.31;
  - b. Approval of Customer Deposit Returns and Conservation Incentive payments for the period January 15, 2020 through January 28, 2020 in the amount of \$67,420.90;

REGULAR COMMISSION MEETING AGENDA

February 3, 2020

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- c. Approval of the net Payroll, Warrant Nos. 236882 through 236903 and Advice Nos. 687843 through 688593 for the pay period ending 01/19/2020 in the amount of \$1,969,831.95;
  - d. Approval of Warrant Nos. 26377 through 26401 totaling \$14,570.40 for claim payments from the workers' compensation self-insurance fund for the period ending January 27, 2020.
10. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1-5, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 18-52 WITH J&K EARTHWORKS, LLC OF ROCK ISLAND, WA AND AUTHORIZING PAYMENT OF RETAINAGE

**Regular Agenda**

11. A RESOLUTION APPROVING BIDDING DOCUMENTS FOR ROCKY REACH INTAKE HEADGATES (BID NO. 19-86) AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT
12. A RESOLUTION RESCINDING RESOLUTION NO. 08-13327 AND DELEGATING AUTHORITY REGARDING CHARGE OFFS/WRITE OFFS
13. A RESOLUTION ADOPTING REGULATORY ACCOUNTING FOR SIGNIFICANT INVESTMENT IN NON-DISTRICT OWNED ASSETS
14. A RESOLUTION AUTHORIZING CHANGE ORDER NO. 17 TO CONTRACT NO. 02-23 WITH OPEN SYSTEMS INTERNATIONAL, INC. TO PROVIDE AN UPGRADE OF THE SCADA/EMS SYSTEM AND TO IMPLEMENT AN ADVANCED DISTRIBUTION MANAGEMENT SYSTEMS
15. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO EXECUTE FIELD WORK ORDER/CHANGE ORDER NO. 3 TO CONTRACT 16-77 WITH VIBROSYSTEM, INC. FOR ONLINE CONDITION MONITORING EQUIPMENT AND TECHNICAL SERVICES FOR USE AT THE DISTRICT'S HYDROELECTRIC FACILITIES AND TRANSMISSION SUBSTATIONS
16. Manager Items

17. Commission Items

a. Upcoming Meetings Proposed Motion:

Move to set the following special meetings:

- On Thursday, February 6, 2020 @ 9:00 am in the Headquarters Commissioner Board Room, 327 N Wenatchee Avenue, Wenatchee for the purpose of conducting the General Manager Annual Review
- On March 17, 2020 at 8:00 am at the Confluence Technology Center, 285 Technology Center Way, Wenatchee for the purpose of holding a Board Workshop
- On April 14, 2020 at 1:00 pm at the Confluence Technology Center, 285 Technology Center Way, Wenatchee for the purpose of holding a Tri-Commission meeting

18. Commission Travel

19. Follow-up on Delegation of Action Items from Previous Board Meeting

20. Delegation of Action Items

21. Additional Public Comment

*Members of the public are encouraged to ask specific questions after each item presented. This agenda item is for additional comments/questions related to matters not on the agenda.*

22. Matters of general business as may necessarily come before the Commission

23. Executive Session: 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 review the performance of a public employee, as authorized by RCW 42.30.110(1)(g)

This agenda and resolutions (if any) may be revised by the Commission as appropriate.

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1-5, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 18-52 WITH J&K EARTHWORKS, LLC OF ROCK ISLAND, WA AND AUTHORIZING PAYMENT OF RETAINAGE

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

The District Commission by Resolution No. 17-14215 delegated authority to the General Manager to advertise, award and execute contracts when the total contract price is \$3,000,000 or less. Authority was also granted to the General Manager and the staff to execute field work orders under certain circumstances.

On February 1, 2019, the District entered into a contract (Bid No. 18-52) with J&K Earthworks, LLC (Contractor) of Rock Island, WA for Wenatchee Heights Reservoir Replacement, in the amount of \$412,600. This contract was advertised for public bid and was awarded as required by RCW 54.04.070 and .080.

The work in Field Work Order Nos. 1-5 consists of conditions and work not anticipated or included in the original contract but within the scope of the contract. The District's staff has executed Field Work Order Nos. 1-5, which are on file in the offices of the District and summarized as follows:

<b>Field Work Order No.</b>	<b>Amount</b>
1. Increase Contract Price and extend completion date.	\$3,696.92
2. Extend completion date.	\$0
3. Extend completion date.	\$0
4. Extend completion date.	\$0
5. Increase Contract Price.	\$2,562.72
<b>Total</b>	<b>\$6,259.64</b>

Field Work Order Nos. 1-5 results in a net increase in the contract price of \$6,259.64 for a new revised total price of \$418,859.64 (excluding sales tax), which the District's Engineers recommend be ratified. Resolution No. 17-14215 provides that this type of field work order shall be presented to the Commission for approval as part of the final acceptance resolution.

District staff has determined that the completion of all contract work occurred on January 14, 2020. In accordance with the terms of the contract, retainage in an amount not exceeding 5% of the contract price has been withheld from the Contractor.

The General Manager of the District concurs with staff's recommendations that the District accept the work performed by the Contractor, ratify Field Work Order Nos. 1-5 and authorize the payment of retainage due the Contractor, subject to the requirements of the contract and state law.

### **ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Field Work Order Nos. 1-5 to Bid No. 18-52 with J&K Earthworks, LLC for the work specified above, which will result in a net increase in the purchase price of \$6,259.64 , for a total revised contract price of \$418,859.64, plus Washington State sales tax, is hereby ratified.

Section 2. All the contract work required under Bid No. 18-52 was completed on January 14, 2020 and the same is hereby accepted, subject to Section 3 hereof. Payment of retainage to the Contractor in the amount determined by the District's auditor to be due is authorized to be paid to the Contractor subject to Section 3 and Section 4 hereof, and subject to the provisions and limitations of Chapter 39.12 RCW (Prevailing Wages on Public Works) and 60.28 (Liens for Labor, Materials and Taxes on Public Works).

Section 3. This resolution shall not constitute an acceptance by the District of any work performed or goods supplied pursuant to the aforementioned contract, which are not in strict compliance with the contract terms and conditions.

Section 4. After the expiration of the forty-five (45) day period for giving the District notice of lien and after receipt of the Department of Revenue's certification of the Contractor's payment of taxes, the Employment Security Department's Certificate of Payment of Contributions, Penalties and Interest on Public works Contracts and the Department of Labor & Industries' Certificate of Release of the State's Lien on Public Works contracts and the District being satisfied that taxes certified as due or to become due are discharged and the filed claims of materialmen and laborers, if any, together with a sum sufficient to pay costs of foreclosing the liens and attorney's fees, have been paid, the District's General Manager is authorized and directed to withhold from the remaining retained amounts for claims the District may have against the Contractor, and the balance shall be paid to the Contractor. In the event said taxes, claims, expenses and fees have not been paid, the General Manager is authorized and directed to withhold an amount equal to unpaid taxes and unpaid claims, together with a sum sufficient to defray the costs and attorney fees incurred in foreclosing the lien of such claims, and the balance shall be paid to the Contractor.

DATED this 3rd day of February 2020.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

Seal

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION APPROVING BIDDING DOCUMENTS FOR ROCKY REACH INTAKE HEADGATES (BID NO. 19-86) AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

The Rocky Reach small generating units (C1-C7) are experiencing trunnion bushing seal leaks and wear. The trunnion bushings wear and leakage are causing unplanned outages and major reactive work. Repairing the small units are a top priority of the District. In addition, Rocky Reach large units (C10 & C11) are currently in a blade blocked position and are in need of rehabilitation in order to get them back to the original Kaplan design capability.

Intake Headgates and Stoplogs are needed when working on and repairing generating units. Currently, the District has an Intake Headgate inventory for Rocky Reach consisting of the following:

- 1 set - Emergency only - roller style Intake Headgates to be used in runaway units or load rejection situations
- 2 sets - can be utilized for longer term unit rehabilitation or overhauls
- 1 set - used for short term inspections or O&M work on units, draft tubes, spillways

A fifth set of Intake Headgates is needed in order to execute the rehabilitation on the small units and maintain the necessary preventative maintenance on the remaining units. Without an additional set of Intake Headgates, the District's ability to perform work efficiently will be hindered and could result in extended outage durations.

Resolution No. 17-14215 requires Commission approval of bids and authorization to invite bids that are estimated to exceed \$3,000,000. Bidding documents for Bid No. 19-86 including specifications have been prepared by the District and are on file in the offices of the District.

District staff recommends that Bid No. 19-86 is in the best interests of the District and that said documents be approved and that the invitation for bid be published.

The General Manager of the District has reviewed District staff's recommendation and concurs in the same.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, as follows:

Section 1. The bidding documents (Bid No. 19-86) for the Rocky Reach Intake Headgates are hereby approved and the General Manager of the District is hereby authorized to invite sealed proposals for furnishing said material.

DATED this 3rd day of February 2020.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

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## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION RESCINDING RESOLUTION NO.  
08-13327 AND DELEGATING AUTHORITY  
REGARDING CHARGE OFFS/WRITE OFFS

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

Resolution No. 08-13327 continued the practice of requiring Board action to approve charge offs on District accounts of more than \$1,000 per customer. The business needs of the District have changed since that limit was established. There are a number of business practices that would be more efficient with modification to the need for Board action.

“Charge offs,” as that term has been used historically at the District, include two distinct types of actions: (1) a decision to cease internal efforts to collect debts and send the debt to a collection agency or to file a bankruptcy claim; and (2) a decision to write off (forgive) a debt as uncollectible, either before or after the statute of limitations has expired.

The first type of action is operational and is best handled by District staff. If the District is owed a debt for which it would file a lawsuit, that action would be discussed with the Board before a lawsuit was filed.

The second type of action usually utilizes established accounting principles to establish the parameters and circumstances of such an action. It would be best practice to allow staff to make the decisions regarding this type of charge off as well; however, staff should provide an informational report to the Board in open session in advance if a debt of \$10,000 or greater will be written off.

District staff recommends that Resolution No. 08-13327 be rescinded. District staff further recommends that no Board action be necessary for the District to assign a debt to a collection agency or to file a bankruptcy claim with appropriate internal controls in place as determined by staff. District staff recommends that, prior to writing off a debt that is \$10,000 or larger, staff would report the action to the Board. The General Manager or his designee should be authorized to approve the write off of any debt that is less than \$10,000 with appropriate internal controls in place as determined by staff.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY  
DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Resolution No. 08-13327 is hereby rescinded.

Section 2. No Board action is required for charge offs involving a decision by staff to send a debt to a collection agency for collection or to file a bankruptcy claim. The Board directs that, prior to writing off a debt that is \$10,000 or larger, staff will provide an informational report of such action to the Board. The General Manager or his designee is authorized to approve writing off (forgiving) any debt that is less than \$10,000 with appropriate internal controls in place as determined by the General Manager or his designee. In the event an abnormal number of accounts are written off, defined as more than \$10,000 collectively in any month, staff will provide an informational report of such action to the Board.

DATED this 3<sup>rd</sup> day of February 2020.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

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## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION ADOPTING REGULATORY  
ACCOUNTING FOR SIGNIFICANT INVESTMENT  
IN NON-DISTRICT OWNED ASSETS**FACTUAL BACKGROUND AND REASONS FOR ACTION**

The Board of Commissioners (“Commission”) establishes rates for the District that are designed to recover the costs of providing services. The Commission has covenanted in bond resolutions that the District shall fix, establish, maintain and collect rates and charges to provide revenues sufficient to cover costs and maintain certain debt service coverage ratios. If projections reflect that future results will vary from established targets, recommended corrective action, including potential retail rate actions, will be presented for Commission consideration and action.

As a result, the District qualifies for the application of Governmental Accounting Standards Board Statement No. 62 (GASB 62), which outlines the concept of Regulatory Accounting for entities or operations that are rate regulated. Accordingly, certain expenses and revenues, normally reflected in the Change in Net Position as incurred, may be recognized when included in rates and recovered from, or refunded to, customers.

Application of GASB 62 requires Commission approval for each type of expense or revenue deferred. Examples of items the board has previously approved the application of Regulatory Accounting for include: Resolution No. 10-13561-derivative fair value changes, Resolution No. 10-13572-significant contributions, Resolution No. 10-13573-conservation expenditures, Resolution No. 11-13648-swap termination payments, Resolution No. 13-13795-debt issuance costs and Resolution No. 13-13829-investment fair value changes. These deferrals are fully disclosed in the audited financial statements.

Expenses that may be deferred under GASB 62 also include investments in non-district owned assets. There are instances where it is in the best interest of the District and its customers to fund a portion of the costs for construction of an asset that will be owned and maintained by another entity. This type of funding is the result of an agreement in which the District either directly or indirectly receives a benefit from the construction of the asset. An example is transmission facilities that are owned and operated by individual utilities, but are jointly used through Transmission agreements between the District and various other parties. Under such agreements, a new or upgraded asset benefits all parties, so an agreement is made to share in the construction cost.

The District currently has multiple transmission-related agreements under which it will be making investments in assets that will be owned by other entities. Due to the operation of the local transmission grid, transmission is a common area to see these types of agreements; however, similar investments could be made in any area of the District.

The District expects to make some significant investments in non-District owned assets within the next few years that exceed typical investment levels.

Depending on the structure and details of each of these types of agreements, Generally Accepted Accounting Principles could require that the cost be expensed at the time incurred or be accounted for in accordance with lease or other accounting requirements. However, for rate-making purposes, the District includes the recovery of these costs in its cost of service over a future period that aligns with the asset usage, benefit or specific contract provisions. Consequently, without adopting Regulatory Accounting, there is a mismatch between how the expense is recognized in the financial statements and how the expense is currently reflected in rates.

### **ANALYSIS AND STAFF RECOMMENDATION**

GASB 62 allows an entity with cost-based rates to defer expenses or revenues as Regulatory Assets or Deferred Inflows, respectively, and recognize them when recovered from or refunded to customers. Since the Commission establishes cost-based rates, the District may adopt GASB 62 and defer the significant investment in non-District owned assets as Regulatory Assets and recognize them when recovered effectively through rates.

Recording investments in non-District-owned assets without also adopting GASB 62 would result in the District's financial statements being inconsistent with the normal practice used by the Commission in setting rates.

Staff has presented the background, requirements and considerations for adopting Regulatory Accounting in general and for other matters at prior Board meetings. Staff presented the background, requirements and considerations for adopting Regulatory Accounting for significant investments in non-district owned assets at the January 28, 2020 audit committee meeting. District staff recommends that it is in the best interest of the District to also adopt Regulatory Accounting for significant investment in non-district owned assets.

In accordance with the regulatory accounting requirements of GASB 62, contributions of \$1 million or more toward the cost of an asset that will be owned by another entity will be deferred to the balance sheet as a regulatory asset and amortized to expense over the same period the cost recovery will be included for rate-making purposes.

The General Manager and Chief Financial Officer have reviewed this recommendation and concur.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Regulatory Accounting is hereby adopted for investment in non-district owned assets of \$1 million or more.

Section 2. This resolution is intended to clarify and support the appropriate accounting treatment of significant investment in non-district owned assets made by the District.

Dated the 3rd day of February 2020.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

SEAL

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION AUTHORIZING CHANGE ORDER  
NO. 17 TO CONTRACT NO. 02-23 WITH OPEN  
SYSTEMS INTERNATIONAL, INC. TO PROVIDE  
AN UPGRADE OF THE SCADA/EMS SYSTEM AND  
TO IMPLEMENT AN ADVANCED DISTRIBUTION  
MANAGEMENT SYSTEMS

## FACTUAL BACKGROUND AND REASONS FOR ACTION

Resolution No. 03-12400 dated July 21, 2003, authorized a contract (Contract No. 02-23) with Open Systems International Inc. (OSI) to provide, install and implement hardware and software for an integrated SCADA/EMS System, in an amount not to exceed \$1,830,000, and approved future additional Support Services Agreements and Project Implementation enhancements as authorized in the District's annual budget.

District staff has identified the need for upgrade of the SCADA/EMS system and implementation of an Advanced Distribution Management Systems (ADMS). Resolution No. 17-14215 requires that the Commission, by resolution, authorize Service Agreements and Amendments when the amendment causes the actual or expected contract price to exceed the amount originally authorized by the Commission.

District staff recommends that it is in the best interest of the District to enter into Change Order No. 17 to Contract No. 02-23 with OSI to cover the additional services as mentioned above in the amount of \$1,811,739.00 for a total revised contract price not to exceed \$4,053,560.50.

The General Manager has reviewed District staff's recommendation and concurs in the same.

## ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY  
DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON as follows:

Section 1. The General Manager is hereby authorized to execute Change Order No. 17 to Contract No. 02-23 with OSI to provide the additional services identified above, at a cost not to exceed \$1,811,739.00 including options. The revised contract price will not exceed \$4,053,560.50 without prior Commission approval. A copy of the Change Order is on file in the offices of the District.

DATED this 3rd day of February, 2020.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

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## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO EXECUTE FIELD WORK ORDER/CHANGE ORDER NO. 3 TO CONTRACT 16-77 WITH VIBROSYSTEM, INC. FOR ONLINE CONDITION MONITORING EQUIPMENT AND TECHNICAL SERVICES FOR USE AT THE DISTRICT'S HYDROELECTRIC FACILITIES AND TRANSMISSION SUBSTATIONS

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

On November 7, 2016, the Commission approved Resolution No. 16-14087 declaring VibroSystM, Inc. of Longueil, Quebec, Canada, (VibroSystM) to continue to be the sole source supplier of Online Condition Monitoring Equipment and Technical Services; waiving the bidding requirements; and authorizing the General Manager of the District to execute Contract No. 16-77 with VibroSystM, Inc. at a cost not to exceed \$1,000,000.00 to provide Online Condition Monitoring Equipment and Technical Services for use at District's hydroelectric facilities and transmission substations.

District staff has identified the need for additional equipment and services for replacement of obsolete monitoring equipment for units C1 – C7 and C11 and ongoing unit maintenance and modernization programs at Rock Island, Rocky Reach and Lake Chelan, which are necessary to continue reliable monitoring of the online condition of the generators. District staff has determined that it is in the best interest of the District to continue with its designation of VibroSystM as the sole source supplier for these equipment and services, and VibroSystM has certified it continues to give the District the lowest prices it gives to similarly situated customers. District staff also recommends entering into Field Work Order/Change Order No. 3 to Contract No. 16-77 to cover additional Online Condition Monitoring Equipment and Technical Services in the not to exceed amount of \$1,500,000.00. The current not-to-exceed contract price of \$1,000,000.00 will be increased to \$2,500,000.00 (exclusive of sales tax).

The General Manager of the District has reviewed staff's recommendations and concurs in the same.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, as follows:

Section 1. The General Manager of the District is hereby authorized to execute Field Work Order/Change Order No. 3 to Contract No. 16-77 for additional Condition



Monitoring Equipment and Technical Services identified above. A copy of the Field Work Order/Change Order shall be on file in the offices of the District.

DATED this 3rd day of February 2020.

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President

ATTEST:

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Vice President

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Secretary

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Commissioner

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Commissioner

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