

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

REGULAR COMMISSION MEETING

AUGUST 15, 2022

STUDY SESSION

10:00 AM

1. Pledge of Allegiance and Safety/HPI Minute – Teka Sellers
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. CPO Winner Recognition
4. Quarterly Financial Review and Investment Report
5. Quarterly Energy Resources Update
6. Quarterly District Performance Plan Status Update
7. Public Power Benefit Fiber Update
8. Public Power Benefit – Project Selection
9. Confluence Parkway Due Diligence
10. Public Comment

BUSINESS SESSION

1:00 PM

Consent Agenda

11. Minutes of the August 1, 2022 Regular Meeting and August 4, 2022 Special Meeting
12. Vouchers: Accounts Payable Summary Report dated August 10, 2022:
 - a. Vouchers totaling \$9,826,649.71;

- b. Approval of Customer Deposit Returns and Conservation Incentive payments for the period July 27, 2022 through August 9, 2022 in the amount of \$28,270.57.
- c. Approval of the net Payroll, Warrant Nos. 237903 through 237915 and Advice Nos. 739776 through 740600 for the pay period ending July 31, 2022 in the amount of \$ 2,448,785.04.
- d. Approval of Warrant Nos. 28702 through 28737 totaling \$10,202.01 for claim payments from the workers' compensation self-insurance fund for the period ending August 8, 2022.
- e. Approval of Parks Reservation System customer refunds for the period July 27, 2022 through August 9, 2022 in the amount of \$3,780.00.

Regular Agenda

- 13. 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
- 14. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN INTERLOCAL AGREEMENT (SA 22-12343) WITH CITY OF WENATCHEE FOR THE MCKITTRICK STREET INTERCHANGE AND EXTENSION
- 15. A RESOLUTION APPROVING BID ADVERTISEMENT, AWARD AND CONTRACT EXECUTION FOR NORTH SHORE LAKE CHELAN SUBSTATION CONSTRUCTION PROJECT (BID NO. 22-12367) AND APPROVING A CAPITAL BUDGET REVISION FOR THE PROJECT
- 16. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER IN THE FIRST AMENDMENT TO THE FEBRUARY 1, 2006 POWER SALES AGREEMENT WITH PUGET SOUND ENERGY, INC
- 17. Manager Items
- 18. Commission Items
- 19. Follow-up on Delegation of Action Items from Previous Board Meeting
- 20. Delegation of Action Items

REGULAR COMMISSION MEETING AGENDA

August 15, 2022

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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) and 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), to consider the minimum price at which real estate will be offered for sale or lease when public knowledge regarding such consideration would cause the likelihood of decreased price, as authorized by RCW 42.30.110(1)(c) and to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g) for ___ minutes

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

RESOLUTION NO. _____

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

FACTUAL BACKGROUND AND REASONS FOR ACTION

The long term power sales contracts, bond resolutions and industry best practices require that the District's financial statements be audited by independent certified public accountants experienced in electric utility accounting. Certain bond covenants also require the certified public accountants to be of national reputation.

The District's Audit Committee charter defines the Audit Committee's responsibilities, which includes reviewing the external auditor's proposed audit scope, approach, fees and performance and recommending appointment of the District's external financial auditors, among other responsibilities. In addition, Resolution No. 17-14215 required that the Commission, by resolution, authorize Service Agreements when the total contract price exceeds \$500,000.

Resolution No. 13-13812 dated August 19, 2013, authorized a Service Agreement (SA 13-162) with PricewaterhouseCoopers to provide audit services of the financial statements for calendar years ended 2013, 2014, and 2015, for a fixed fee of \$209,000 for the audit services of the financial statements ending December 31, 2013, with an annual growth rate not to exceed 3% for subsequent years, without prior Audit Committee approval. Resolution No. 16-14061 dated August 15, 2016, authorized an Amendment to SA 13-162 with PricewaterhouseCoopers to provide audit services of the financial statements for calendar years ended 2016, 2017, and 2018, for a fixed fee of \$230,000 for the audit services of the financial statements ending December 31, 2016, with an annual growth rate not to exceed 4% for subsequent years, without prior Audit Committee approval. Resolution No. 19-14372 dated August 19, 2019, authorized an Amendment to SA 13-162 with PricewaterhouseCoopers to provide audit services of the financial statements for calendar years ended 2019, 2020, and 2021 for a fixed fee of \$258,700 for the audit services of the financial statements ending December 31, 2019, with an annual growth rate not to exceed 4% for subsequent years, without prior Audit Committee approval. Resolution No. 20-14441 dated March 30, 2020, authorized an Amendment to SA 13-162 with PricewaterhouseCoopers to extend services to include quality control review services supporting the District's issuance of the 2020 Consolidated System Revenue and Refunding bonds, as required by generally accepted auditing standards.

PricewaterhouseCoopers has been providing audit services to the District since 2006. District staff and the Audit Committee have evaluated the performance of PricewaterhouseCoopers. The District has been very satisfied with the audit quality, efficiency, timeliness, industry knowledge, continuity of staff and the stable rates provided by PricewaterhouseCoopers over the past 16 years. Due to PricewaterhouseCoopers' partner rotation policy, the District will continue to benefit from a "fresh set of eyes" without incurring the additional staff hours and potential risks associated with transitioning to a new audit firm. And the proposed audit fees (a 5.4% increase from the 2021 fixed fee) are reasonable considering increasing accounting and auditing requirements and the increasing costs to attract and retain professionals in today's environment, resulting in significantly higher public accounting labor costs.

District staff with the approval of the Audit Committee has determined that it is in the District's best interests to amend the Service Agreement (SA No. 13-162) with PricewaterhouseCoopers to extend the Agreement for audit services of the financial statements for calendar years ending 2022, 2023 and 2024. The services will occur in 2022-2025. The audit fees, including reimbursable expenses, are for a fixed fee of \$295,000 for the audit services of the financial statements ending December 31, 2022, with an annual growth rate based on the Consumer Price Index (CPI), as reported by the U.S. Bureau of Labor Statistics CPI-Urban All Items index unadjusted 12 months ended May of the year, for subsequent years, without prior Audit Committee approval.

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 and directed to amend Service Agreement (SA No. 13-162) with PricewaterhouseCoopers to extend audit services of the financial statements for the calendar years ending 2022, 2023 and 2024 as required by the District. The services will occur in 2022-2025. The District's costs for said services of the financial statements for the year ending December 31, 2022, are for a fixed fee of \$295,000, with an annual growth rate based on CPI for subsequent years, without prior Audit Committee approval. A copy of the Amendment is on file in the offices of the District.

DATED this 15th day of August 2022.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN INTERLOCAL AGREEMENT (SA 22-12343) WITH CITY OF WENATCHEE FOR THE MCKITTRICK STREET INTERCHANGE AND EXTENSION

FACTUAL BACKGROUND AND REASONS FOR ACTION

City of Wenatchee is planning to complete roadway improvements on McKittrick Street. The District also wishes to install a new 600-ampere electrical system and single-mode fiber utilities underground across North Wenatchee Avenue in preparation for serving immediate and future development with the City's adopted North Wenatchee Master Plan. Coordinating and conducting work with the City of Wenatchee is the most efficient path forward. The interlocal agreement (SA 22-12343) identifies the City of Wenatchee as the lead agency, responsible for contracting and construction, with the District providing design for the electrical and fiber portion only and reimbursement for costs associated with construction of the same.

Resolution No. 17-14215 requires that the Commission, by resolution, authorize Interlocal Agreements that exceed \$200,000. It is staff's recommendation that it is in the best interest of the District to enter into an interlocal agreement with City of Wenatchee for the above-described services.

The General Manager of the District has reviewed 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 General Manager of the District is hereby authorized to enter into an interlocal agreement with City of Wenatchee for the McKittrick Street Interchange and Extension in an amount not to exceed \$475,000 without prior Commission approval. A copy of the Agreement will be on file in the offices of the District.

Resolution No. _____
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DATED this 15th day of August 2022.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

SEAL

RESOLUTION NO. _____

A RESOLUTION APPROVING BID
ADVERTISEMENT, AWARD AND CONTRACT
EXECUTION FOR NORTH SHORE LAKE CHELAN
SUBSTATION CONSTRUCTION PROJECT (BID
NO. 22-12367) AND APPROVING A CAPITAL
BUDGET REVISION FOR THE PROJECT

FACTUAL BACKGROUND AND REASONS FOR ACTION

The North Shore Lake Chelan Substation Construction Project, Bid 22-12367, will complete all civil works, foundations, equipment & structures installations, electrical grounding and bus work, site landscaping, irrigation, fencing, paved accesses, and site restoration for the new substation. This is required to support long-term growth and enhance electrical distribution reliability in the Chelan and Manson areas. Major construction is expected to commence in March 2023, with station energization in late fall 2023.

Resolution No. 17-14215 requires Commission authorization to invite bids that are estimated to exceed \$3,000,000. Solicitation documents for Bid No. 22-12367, including specifications are being prepared by the District and once complete will be on file in the offices of the District.

Resolution No. 17-14215 also requires Commission approval to award bids estimated to exceed \$3,000,000. Bid No. 22-12367 is currently budgeted with an amount exceeding \$3,000,000 based on the current engineer's estimate. As such, District staff is seeking authorization to publicly advertise the project for contractor bids. Should all bids exceed the engineer's estimate by more than 15%, excluding sales tax, an award will not be issued pursuant to RCW 54.04.070.

Due to realized equipment and material contract price escalations, and anticipated construction cost escalations related to economic and supply chain factors affecting the current bidding environment, District staff recommend a capital budget increase of \$2,671,000 for a total project capital budget of \$9,382,419.

District staff is of the opinion that issuing Bid No. 22-12367 is in the best interests of the District, that said bid documents be approved, and that the invitation for bids be published.

District staff also recommends that it is in the District's best interests to authorize staff to award Bid No. 22-12367 in an amount not to exceed the authorized project budget nor more than 15% above the engineer's estimate, excluding sales tax, whichever may be less, and to authorize the General Manager or his designee to execute a contract for the work with the lowest responsive and responsible bidder with a legally compliant bid that meets the District's terms and conditions.

The General Manager of the District has reviewed District staff's recommendation and concurs with 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. 22-12367) for the North Shore Lake Chelan Substation Construction Project are hereby approved and the General Manager of the District is hereby authorized to invite sealed proposals for furnishing said material.

Section 2. The Commission hereby authorizes staff to award Bid No. 22-12367 for the North Shore Lake Chelan Substation Construction Project to the lowest responsive and responsible bidder in an amount not greater than the authorized project budget nor in excess of 15% above the engineer's estimate, excluding sales tax. Furthermore, the General Manager of the District is hereby authorized to enter into a contract with the lowest responsive and responsible bidder with a legally compliant bid that meets the District's terms and conditions. A copy of the contract will be on file in the offices of the District.

Section 3. The capital budget for the North Shore Lake Chelan Substation Construction Project is hereby increased by \$2,671,000 for a total authorized project capital budget amount of \$9,382,419.

DATED this 15th day of August 2022.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE GENERAL
MANAGER TO ENTER IN THE FIRST
AMENDMENT TO THE FEBRUARY 1, 2006 POWER
SALES AGREEMENT WITH PUGET SOUND
ENERGY, INC

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District is authorized to purchase and sell electric energy and capacity pursuant to RCW 54.16.040 and other applicable laws. RCW 54.16.040 provides that the contracts shall extend over such period of years and contain such terms and conditions as determined appropriate by the Commission. The selling of energy is a proprietary function of a public utility District. RCW 54.16.040 also requires that the Commission, prior to selling energy to other entities, shall first make adequate provision for the needs of the District, actual and prospective. RCW 54.16.040 further requires that a resolution authorizing such transactions must be introduced at a Commission meeting at least ten (10) days prior to the adoption of the resolution.

Under this authority, the Commission approved a Power Sales Agreement with Puget Sound Energy through Resolution No. 06-12830. The Power Sales Agreement, among other things, sold a percentage of electric energy and capacity to Puget Sound Energy.

The District and Puget Sound Energy recognized that Environmental Attributes—environmental benefits resulting from the generation and use of the output of the District’s hydroelectric projects—could become available subsequent to execution of the agreement. The Power Sales Agreement reserved negotiation and allocation of those Environmental Attributes until such time as Puget Sound Energy notified the District that they had become available.

Puget Sound Energy has provided notification to the District pursuant to the Power Sales Agreement. With guidance from the General Manager, staff has negotiated an allocation and sales price for the Environmental Attributes associated with the Power Sales Agreement with Puget Sound Energy. The term for the Environmental Attribute sale begins on January 1, 2022 and runs through the remainder of the Power Sales Agreement term, ending October 31, 2031.

The Commission has previously directed that the General Manager (or designee) shall report to the Commission on a regular basis (no less than quarterly) regarding power management transactions. Those reports provided should include the transaction entered into pursuant to this resolution. The revenue generated from this amendment will be included in the Energy Planning and Trading’s quarterly updates to the Commission.

Staff recommends that it is in the best interests of the District to amend the existing Power Sales Agreement with Puget Sound Energy for the allocation and sale

of the associated Environmental Attributes. The General Manager has reviewed 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. At a public meeting on August 1, 2022, a proposed Amendment to the Power Sales Agreement between the District and Puget was introduced to the Commission for approval. Pursuant to RCW 54.16.040, the Commission tabled a decision on whether to approve the proposed Amendment until at least ten (10) calendar days had passed.

Section 2. The Commission approves the proposed First Amendment to Power Sales Agreement between the District and Puget Sound Energy and authorizes and directs the General Manager (or designee) to execute that Amendment on behalf of the District.

Section 3. The Commission also authorizes the General Manager (or designee) to execute on behalf of the District any necessary or appropriate agreements and to take actions necessary to effectuate the Power Sales Agreement on behalf of the District.

DATED this 15th day of August 2022.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

SEAL