

MINUTES OF REGULAR MEETING OF THE COMMISSION  
OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

August 7, 2017

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 North Wenatchee Avenue, Wenatchee, Washington, on August 7, 2017, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Randy Smith, Garry Arseneault, Dennis Bolz, Arn Congdon and Steve McKenna. In attendance were Presiding Managing Director Mike Coleman, General Counsel Erik Wahlquist and Acting Clerk of the Board Lisa Sanders.

Various Staff were also in attendance.

Others in attendance: Trevor Hutton and Vanessa Brinkhuis (Department of Ecology), Dan Haller (Aspect Consulting, LLC), Leslie Trebotich-Coleman, Susan Albert, Tim Lawless, Chief Crown (Wenatchee Police Department)

Debbie Gallaher, Visitor Services Manager, led the Pledge of Allegiance and provided a safety minute.

President Randy Smith presented the Agenda for approval. Resolutions 12-15 were moved to the consent agenda. The agenda was approved as revised.

Quarterly District Strategic Plan Status Update – Q2 – (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation). Staff reported on items that changed since the May 1, 2017 update.

2<sup>nd</sup> Quarter 2017 Energy Resources Update – (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation).

Gregg Carrington, Managing Director – Energy Resources, shared the good news that two new power sales contracts will boost forecasted PUD revenue by \$40 million starting in 2019. Each sale is for a 5-percent “slice” of power generated at Rocky Reach and Rock Island dams. The sales are for five years to Avangrid Renewables LLC of Portland, Ore., starting in 2019 and for 10 years to Avista Corp., based in Spokane, starting in 2021. The sales extend the PUD’s successful hedging strategy that returns value to customer-owners by locking in revenue, reducing risk from price swings in the wholesale market, variable streamflow and from operations, which help keep electric rates stable.

Janet Jaspers, Energy Planning and Trading Manager, updated board members on second-quarter results. So far, for 2017 net wholesale revenue and other energy-related revenue is forecast to end the year at \$124.2 million, which is \$ 2.3 million ahead of budget.

Andrew Grassell, Energy Development/Conservation Manager, reported that energy efficiency programs have met the approximate 1.7 average megawatt 2016/2017 compliance goal. Year-to-date savings are behind pace to meet 2017 stretch goal. Actions are being implemented to meet the goal.

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2<sup>nd</sup> Quarter 2017 Finance Review and Investment Report – (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation). Mark O'Bryan, Director-Strategic Financial Planning, and Craig Kunz, Strategic Financial Planning Analyst Senior, reported that overall financial results exceeded budget through June. Forecasts call for the PUD to end 2017 with bottom-line results nearly \$10 million better than budget and meeting or exceeding all fiscal targets. Debt to equity is forecasted to end the year at 37.8 percent, exceeding this year's target and nearing the goal of less than 35 percent by 2019. Long-term, District financial policies are on track for managing declining bottom-line forecasts due to anticipated lower market prices through 2021. Revenue so far is higher due to below-average winter temperatures and the cost-plus long-term power contracts, while operating costs have been lower. Finance staff recommended staying the course on strategic priorities of investing in key assets and employees, paying down debt (\$52 million in 2017) and continuing the Public Power Benefit program.

2<sup>nd</sup> Quarter Major Projects, Contracts and Project Revisions Update – (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation). David Nelson, Generation and Transmission Business Advisor, presented the update.

Lake Chelan Water Reserve – (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation). Marci Clement, Water Resources Program manager, along with Dan Haller, Aspect Consulting, LLC, and Trevor Hutton, Department of Ecology, reviewed details of a proposed agreement with the state Department of Ecology that, if approved, could allow Ecology and Chelan County to move ahead on long-standing water permit applications for the Lake Chelan Water Basin. The proposed agreement between Chelan PUD and Ecology would maintain Chelan PUD's commitment to provide 65,000 acre-feet of water per year from Lake Chelan - as administered by Ecology. It also protects the PUD's hydropower water right for the Lake Chelan Hydro Project. The agreement would establish an estimated number for the remaining amount available for water rights. In addition, it establishes an annual accounting by Ecology of remaining water, based on the agreed-to estimated amount available.

B1-B4 Rehab – Assessment of Reused Components – (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation). Brett Bickford, Director-Engineering and Project Management, reviewed the results of detailed evaluation to determine if parts of original generating units B1-B4 at Rock Island Dam can be reused as the units are modernized. Based on component conditions, Brett Bickford, Engineering and Project Management director, said staff recommended using the contract option with Andritz Hydro to replace rather than reuse rotor poles, wicket gates (on three units) and generator shafts to reduce delays in completing the upgrades and for the financial benefit of longer unit life. Board members agreed and revised the project budget by \$5.75 million to \$70.05 million.

The meeting recessed at 12:02 p.m., and reconvened at 1:02 p.m.

President Smith presented the revised consent agenda, which consisted of the minutes of July 24,

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2017 regular meeting.

The Auditor's memorandum dated August 2, 2017 supporting documentation and District's Computer Report, which certify, pursuant to RCW 42.24.080, that the District received certain goods, services and other considerations specified therein and describes as follows were presented for approval:

Accounts Payable Summary Report dated August 1, 2017:

1. Vouchers totaling \$7,636,591.48;
2. Approval of Customer Deposit Returns and Conservation Incentive payments for the period July 19, 2017 through August 1, 2017 in the amount of \$31,839.23.
3. Approval of the net Payrolls, Warrant Nos. 235418 through 235447 and Advice Nos. 637509 through 638269 for the pay period ending 7/23/2017 in the amount of \$1,818,231.85; and
4. Approval of Warrant Nos. 23620 through 23650 totaling \$3,941.62 for claim payments from the workers' compensation self-insurance fund for the period ending July 31, 2017.

RESOLUTION NO. 17-14158 AUTHORIZING AMENDMENT NO. 2 TO SERVICES AGREEMENT (SA NO. 16-060) WITH CLEARRESULT CONSULTING INC. TO PROVIDE ENERGY EFFICIENCY SERVICES

RESOLUTION NO. 17-14159 A RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO SERVICES AGREEMENT (SA NO. 14-115) WITH PEAK RELIABILITY OF UTAH TO PROVIDE HOSTED ADVANCED APPLICATION SERVICES

RESOLUTION NO. 17-14160 A RESOLUTION DECLARING ALSTOM GRID LLC AN OHIO LIMITED LIABILITY COMPANY (FORMERLY ALSTOM GRID, INC.) OF REDMOND, WA AS THE CONTINUING SOLE SOURCE SUPPLIER OF SOFTWARE LICENSES AND SUPPORT SERVICES FOR HOSTED ADVANCED APPLICATIONS AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE AN AMENDMENT TO SA NO. 14-114 TO CONTINUE TO PROVIDE DISTRICT ACCESS TO HOSTED ADVANCED APPLICATIONS AND SUPPORT SERVICES THROUGH DECEMBER 31, 2020

RESOLUTION NO. 17-14161 A RESOLUTION AMENDING SCHEDULE NO. 4 OF THE DISTRICT'S INVESTMENT AND BANKING POLICY ADOPTED BY RESOLUTION NO. 16-14094 TO UPDATE THE LIST OF EMPLOYEES AUTHORIZED TO DISBURSE DISTRICT FUNDS

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A motion was made by Commissioner Congdon, seconded by Commissioner Bolz and passed adopting the Consent Agenda, consisting of the minutes of the July 24, 2017 regular meeting, the above listed vouchers and Resolution Nos. 17-14158 - 17-14161, which are on file in the offices of the District.

Commissioners considered the following resolutions:

RESOLUTION NO. 17-14162 A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1-8, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 16-50 WITH STRIDER CONSTRUCTION CO., INC. OF BELLINGHAM, WA AND AUTHORIZING PAYMENT OF RETAINAGE

RESOLUTION NO. 17-14163 A RESOLUTION REVISING THE CAPITAL PROJECT BUDGET FOR ROCK ISLAND POWERHOUSE ONE UNITS B1 TO B4 MODERNIZATION AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE FIELD WORK ORDER/CHANGE ORDER(S) TO CONTRACT 16-60 WITH ANDRITZ HYDRO FOR NEW WICKET GATES, GENERATOR SHAFTS AND ROTOR POLE BODIES

A motion was made by Commissioner McKenna, seconded by Commissioner Congdon and passed to adopt Resolution Nos. 17-14162 – 17-14163, which is on file in the office of the District.

Presiding Managing Director Mike Coleman followed-up on Delegation of Action Items from Previous Board Meeting.

Lisa Sanders, Finance Administrative Assistant, reviewed upcoming Commissioner travel arrangements.

A motion was made by Commissioner Arseneault, seconded by Commissioner McKenna and passed to change the start time of the August 21 board meeting to 9:00 a.m. and immediately convene into executive session.

President Smith convened an executive session at approximately 2:05 p.m. at the beginning of the afternoon session to discuss with legal counsel 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 or 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 30 minutes.

Reconvening the meeting into regular session at 2:40 p.m., President Smith stated no actions and no votes were taken.


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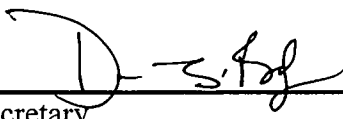
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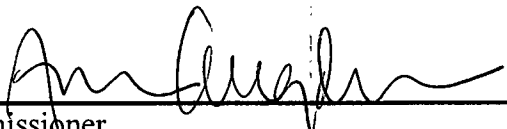
There being no other business, the meeting adjourned at 2:40 p.m.

  
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President

  
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Vice President

  
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Secretary

  
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Commissioner

  
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Commissioner