

**Minutes of the Regular Commission Meeting of
Public Utility District No. 1 of Chelan County, Washington
February 3, 2020**

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 February 3, 2020, at the hour of 10:00 am, pursuant to proper notice thereof.

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

Staff present: Steve Wright, General Manager
Katie Yount, Acting General Counsel
Rebekah Garfein, Clerk of the Board
Various staff

Others in attendance: Reilly Kneedler
Dirk Wybenga
Malachi Salcido
Tony Welsh
Rick Evans

Call To Order

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

Pledge of Allegiance and Human Performance Improvement (HPI) Minute

(see Chelan PUD website for presentation)

- Scott Hanson, Journeyman Mechanic, led the pledge and provided an HPI minute on written processes developed to identify potential issues, gather appropriate tools and list all steps chronologically
- Written processes prompt staff to identify potential issues and can be updated as needed
- Capturing knowledge is significant as the workforce changes over the years

Agenda

- Resolution 15 was moved to the consent agenda; the agenda was approved as revised

Quarterly District Performance Plan Status Update

(see Chelan PUD website for presentation)

- Managing Directors reviewed fourth quarter performance on the 2019 District Performance Plan

Quarterly Financial Review and Investment Report

(see Chelan PUD website for presentation)

- Mark Mullins, Director of Enterprise Risk Planning and Analytics, and Craig Kunz, Manager of Strategic Financial Planning, reviewed the fourth quarter finance and investment report
- Bottom-line results better than budget

- Consistent with Q3, higher power contract revenues and lower costs more than offset impacts from low stream flows and unit outages
- Unique and infrequent activity in 2019 positively impacted bottom line approximately \$37M
 - Rocky Reach C8-C11 insurance claim settlement, retained surplus proceeds on long-term hydro contract, actuarial reduction in pension expense
- Capital expenditures lower than expected, rolling costs into future periods
- Financial metrics meeting targets
- Long-term capital plans fully utilize positive results

Legislative Update

(see Chelan PUD website for presentation)

- Tracy Yount, Director of External Affairs, and Shaun Seaman, Government/External Affairs Program Manager, gave an update on legislative session activities
- Legislators have begun their 60-day session, which ends March 12
- Proposed legislation would allow us to partner with the State on research and development of non-oil turbine hub lubrication with funds collected through insurance policy fees; this would remove all oil from single-barrier spaces in the turbines
- Reviewed energy bills related to utility disclosures, Clean Energy Transformation Act (CETA) reliability study, and community solar
- Others bills being monitored include changes to the State's long-term care eligibility, broadband office funding, and forest health

Purchase and Sale Agreement for McDougal Property

(see Chelan PUD website for presentation)

- Dan Frazier, Director of Shared Services, reported on additional property acquisition in Olds Station
- Purchase of the McDougal property, in conjunction with the previously-purchased Tontini property, would allow for extension of the loop trail and access to the Wenatchee River; a 25-foot fishing easement has only been accessible from the river
- There is currently a house on the property, which would allow us to have a gazebo or viewing platform
- Shoreline conditional use permit requires mitigation; additional property gives us more mitigation options

Manager Items

- John Stoll, Managing Director of Customer Utilities, and Kerri Wendell, Customer Relations Manager, updated Commissioners on the Customer Information System (CIS) project
 - The conversion will be initiated this Friday, February 7; customer offices will be closed on Monday, February 10
 - We are using the same bill print provider, so customers should not see a change in bills; PowerPay customers will see some changes

Follow Up on Delegation of Action Items from the 1/20/20 Board Meeting

- Tim Pettit will determine how to improve staff understanding of safety concern / close call submission process
- Safety Team will continue reporting annual safety concerns – completed, Rebekah added to annual Board Meeting agenda tracker
- Justin Erickson will add the Stehekin Integrated Resource Plan presentation to the next Tri-Commission agenda - completed
- Andrew Grassell will provide information on the load characteristics of the approved 2,000 amps of growth in Stehekin – emailed by Jim White 1/23/20
- Andrew Grassell will bring back the outreach plan for Stehekin, once we determine how all the pieces fit together

- Andrew Grassell will provide information on current tiered rates in Stehekin – completed by email from Erik Wahlquist 1/20/20
- Andy Wendell will provide acreage information on the Triad development – completed via email 1/22/20
- Dan Frazier will provide information current construction work awarded to local companies
- Lindsey Mohns will provide information on how the proposed electrical rate increase impacts Residential Cost Recovery – completed via email 1/22/20
- Rebekah Garfein will add an agenda item for the next Board workshop to review the definition of the General Counsel annual evaluation on the Board Balanced Scorecard – completed, Rebekah added to Board workshop agenda tracker
- Erik Wahlquist will send the proposed delegation of authority memo regarding charge offs and write offs prior to the next Board meeting along with a summary of activity for review – completed by email 1/29/20

Commission Items

- Staff heard from Commissioner Congdon that she recommends outreach to Stehekin in March or April and then again in June; there were no objections or further comments
- Commissioners concurred with the annual evaluation process for General Counsel proposed by Commissioner Bolz

Recessed at 12:01pm and Reconvened at 1:00pm

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

(see Chelan PUD website for presentation)

- Lindsey Mohns, Customer Utilities Business Manager, reviewed public comment received and the proposed 5-year rate structure for electric, water, wastewater, and fiber rates
- One customer-owner commented in person and did not object to the increase, but acknowledged that some will pay more than 3% and some will pay less
- A written comment from Bart Clennon was read into the record in support of the rate increase
- Public hearing closed at 1:23pm

Consent Agenda

(see Chelan PUD website for resolutions)

President Arseneault presented the consent agenda, which included the following items:

- Minutes of the January 20, 2020 Regular Meeting
- Vouchers: Accounts Payable Summary Report dated January 29, 2020:
 - Vouchers totaling \$13,121,410.31;
 - 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;
 - 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;
 - 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.
- Resolution 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
- Resolution 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

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Bolz

To accept the consent agenda as revised to include Resolution 15

Approved: Unanimously

Resolution 11

(see Chelan PUD website for resolution)

- George Velazquez, Engineering and Project Management Manager, reviewed Resolution 11
- Resolution 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

Resolution 12

(see Chelan PUD website for resolution)

- Steve Wright, General Manager, reviewed Resolution 12
- Resolution 12. A RESOLUTION RESCINDING RESOLUTION NO. 08-13327 AND DELEGATING AUTHORITY REGARDING CHARGE OFFS/WRITE OFFS

Resolution 13

(see Chelan PUD website for resolution)

- Diane Syria, Director of Accounting/Controller, reviewed Resolution 13
- Adopting regulatory accounting for projects owned by other entities of \$1 million or more will allow us to amortize the cost to match how it will be recovered through rates
- Resolution 13. A RESOLUTION ADOPTING REGULATORY ACCOUNTING FOR SIGNIFICANT INVESTMENT IN NON-DISTRICT OWNED ASSETS

Resolution 14

(see Chelan PUD website for resolution)

- Chad Bowman, Director of Transmission and Compliance, and Zach Mildon, Control Systems Engineer II, reviewed Resolution 14
- An Advanced Distribution Management System (ADMS) integrates with various systems to provide a common operating picture and allows us greater visibility to the system
- Resolution 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

MOTION

Moved by: Commissioner McKenna

Seconded by: Commissioner Bolz

To approve Resolutions 11, 12, 13 and 14 as presented

Approved: Unanimously

Manager Items

- Chad Bowman, Director of Transmission and Compliance, gave an update on the McKenzie Beverly line
 - This line runs from Leavenworth, over Stevens Pass, to near Everett
 - Three weeks ago the pass was closed for four days with storms and wind; Puget's equipment on the west side of the pass summit has been down since then and will remain down through the end of February
 - Puget cannot back-feed any outages between Coles Corner and Leavenworth until the line is repaired, so outages in that area could be for an extended period of time

- Staff has reviewed contingency plans for the Deadhorse/Sunitch Canyon line
- John Sagerser, Engineering and Project Management Manager, gave an update on Rock Island Powerhouse 2
 - Using the Design/Build alternative contracting mechanism; currently in the Request for Proposal stage
 - The project will come before Commissioners at different steps due to the difference in process
 - All three project finalists offer oil-free turbine designs and we are exploring those

Commission Items

- Upcoming Meetings

MOTION

Moved by: Commissioner McKenna

Seconded by: Commissioner Smith

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

Approved: Unanimously

Commission Travel

- Lisa Sanders, Legal Administrative Assistant, reviewed upcoming Commissioner travel

Delegation of Action Items

- Tracy Yount will clarify the \$5 per policy proposed legislation and to what insurance policies it would be applicable
- Lindsey Mohns will provide the kWh point at which customers will experience a less than or greater than 3% rate increase
- Lindsey Mohns will check on the 1% rate increase concern raised by a customer-owner today

Executive Session

President Arseneault convened an executive session at approximately 2:17pm to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g) for approximately 15 minutes.


Regular Session Reconvened at 2:23pm

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

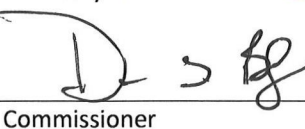
There being no other business, the meeting adjourned at 2:23pm.



 President

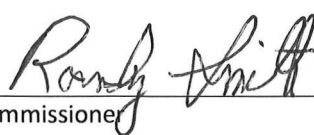


 Secretary



 Commissioner

Vice President



 Commissioner