Minutes of the Regular Commission Meeting of
Public Utility District No. 1 of Chelan County, Washington
August 5, 2019

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 August 5, 2019, at the hour of 10:00 am, pursuant to proper notice thereof.

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

Staff present:           Steve Wright, General Manager
                        Erik Wahlquist, General Counsel
                        Rebekah Garfein, Clerk of the Board
                        Various staff

Others in attendance:   Steve Robinson, Pybus
                        Leslie LaPore-Freytag, Pybus
                        Mike Kaputa, Chelan County
                        Kevin Overbay, Chelan County
                        David Marden, Douglas Fire District 4
                        Pat Brant, Douglas Fire District 4
                        Jim Oatey, Douglas Fire District 4
                        Kalie Drago, KPQ AM

The morning session was not recorded due to a technical difficulty; the minutes provide additional details.

Call To Order
- President Arseneault called the meeting to order at 10:08am

Pledge of Allegiance and Safety Minute
(see Chelan PUD website for presentation)
- Sarah McCue, Administrative Assistant and Short Term Trader, led the pledge of allegiance and provided a safety minute on vaccinations

Agenda
- Resolutions 18 and 19 were moved to the consent agenda; the agenda was approved as revised

Pybus Public Market Executive Director
(see Chelan PUD website for presentation)
- Steve Robinson, Pybus Executive Director, thanked Commissioners for support in various projects and introduced Leslie LePore-Freytag, Transitional Executive Director
- Steve’s last day is next Thursday; Leslie looks forward to continuing working with PUD Commissioners
Quarterly District Performance Plan Status Update
(see Chelan PUD website for presentation)
• Managing Directors provided updates on items that have been completed or are at risk of not meeting milestone deadlines
• Kirk Hudson, Managing Director of Generation and Transmission, will report on item 2.G. at the next meeting
• Metric 3.B.1. is related to Dryden wastewater; this will create rate challenges over the next 5 years
• Cryptocurrency customers dropped by about half upon implementation of that rate; we have received no new applications

Quarterly Financial Review and Investment Report
(see Chelan PUD website for presentation)
• Mark Mullins, Director of Enterprise Plan Risk Analytics, and Craig Kunz, Manager of Strategic Financial Planning, reviewed the second quarter financial and investment results
• Reviewed how insurance settlement funds were recorded in the financial statements
• Off-system, end use sale refers to the Microsoft contract as the end user is not part of our local load
• Without the insurance settlement funds, Rocky Reach cost of production would have been closer to 11 cents
• The fiber portal replacement capital project has been reclassified as Operating & Maintenance expense at about $1M; if executed, that project will push the fiber cost per active premises above budget
• Key highlights:
  o Bottom-line results better than budget
    ▪ Power contract revenues and insurance proceeds from Rocky Reach large unit claim settlement offset impacts from low stream flow conditions and unit outages
  o Financial metrics meeting targets
  o Recommend staying the course with our strategic goals
    ▪ Reinvest in assets and people, reduce debt, continue Public Power Benefit program

Quarterly Major Projects, Contracts and Project Revisions Update
(see Chelan PUD website for presentation)
• Dave Nelson, Generation and Transmission Business Advisor, reviewed a second quarter summary of major capital projects, project budget revisions, active contracts over $1M, and negotiated contracts
• Capital projects are mostly for 2020, but are now included in budget and financial forecasts

Rocky Reach Facilities Next Step
(see Chelan PUD website for presentation)
• Casey Hall, Project Manager II, gave an update on Rocky Reach facilities in preparation for a resolution for board consideration to issue a Guaranteed Maximum Price Amendment to Lydig Construction for the phase 1 early site work and demolition package
• Discovered changes needed since original site design to maximize efficiency and meet Central Maintenance needs; current program reflects adjacency of CM24 (crew building) with CM22 (shop buildings)
• Reviewed the project schedule; phase 1 is early site work and demolition and phase 2 is structures
  o Want to maximize the phase 2 package so we can time it for best weather
  o Bidding phase 2 on a separate timeline also eliminates having two contractors in the worksite, which will improve safety and ease of movement around the site

Rock Island C19 Building Update
(see Chelan PUD website for presentation)
• Sam Dilly, Project Manager III, and Micah Lenderman, Senior Management Analyst, reviewed the business case analysis for construction of the C19 building at Rock Island
• C19 includes a multipurpose room, kitchen, bathrooms, offices, conference room and reception area
• If we didn’t build C19, there would be remodel costs associated with buildings C13 and C14 along with modular rental costs
• Location of C19 has been changed from the lower level to the upper level, which improves lower-level congestion and locates crews adjacent to other staff with whom they interact
• Reviewed pros and cons of all alternatives that were considered
• The business case shows $55M in benefits for about $44M in project costs; this is less cost than rehabilitating older buildings and provides a better benefit than building rehabilitation
• Staff recommends moving forward with Alternative 3; reasons include:
  o Best site based on current knowledge
  o Reduces congestion, improves safety and efficiency
  o Improves flexibility for future uses at upper and lower areas
  o Optimize location and integration with other facilities
  o Benefits exceed other alternatives
• Next steps include close-out resolutions in August and September for the Rock Island Lower Facilities Utility Project and Hydro Site Utility Improvements, then in November a 2019 Budget and 5-Year Plan Amendment and a GC/CM Contract Amendment

Recessed at 12:10pm and Reconvened at 1:00pm

Public Hearing - Surplus 45 Acre Parcel Located South of Beebe Bridge on US 2/97 in Douglas County
(see Chelan PUD website for presentation)
• Vicki Griffin, Real Estate and Permitting Manager, and Lisa Graves, Real Estate Specialist III, reviewed information on a proposed land surplus for 45 acres south of Beebe Bridge on US 2/97 in Douglas County
• Pat Brant, from Douglas County Fire Protection District 4, addressed Commissioners
  o Due to insurance rating changes, the Fire District has been looking for a location farther east for about 10 years to serve customers on the far end of the Beebe development and up McNeil Canyon
  o This is an ideal location for their new fire station and they thanked the PUD for working with them on this

Resolution 10
(see Chelan PUD website for resolution)
• Vicky Griffin, Real Estate and Permitting Manager, and Lisa Graves, Real Estate Specialist III, reviewed Resolution 10
• Resolution 10. A RESOLUTION DECLARING A 45 ACRE PARCEL OF REAL PROPERTY LOCATED SOUTH OF BEEBE BRIDGE ON US 2/97 IN DOUGLAS COUNTY SURPLUS TO DISTRICT NEEDS AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE A PURCHASE AND SALE AGREEMENT WITH DOUGLAS COUNTY FIRE PROTECTION DISTRICT NO. 4

MOTION
Moved by: Commissioner Bolz
Seconded by: Commissioner Congdon
To approve Resolution 10 as presented
Approved: Unanimously

Strategic Planning Survey and Plan Update
(see Chelan PUD website for presentation)
• Justin Erickson, Managing Director of District Services, gave an update on the strategic planning process including survey results, draft plan review, and schedule overview
• Customer-owner feedback on the survey topics:
o Public Power Benefit (PPB) Program and Early Action project criteria prioritization reflected the top three priorities being economic development, environmental stewardship, and recreation opportunities
o Most support economic development, but only with a low rate impact
o Most support Rock Island early actions to secure a longer license term, even if activities would not otherwise be required
o Would like us to be balanced leaning toward self-sustainability for the fiber, water, and wastewater business lines
o Prefer small, annual rate increases as opposed to a larger rate increase in the future

• Proposed Strategic Priorities:
  o Invest in assets and people and seek industry top quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology
  o Sustain excellent financial resiliency while mitigating the risk of large rate increases
  o Enhance the quality of life in Chelan County through programs that distribute the benefits of public power
  o Engage in countywide growth planning and job creation efforts while ensuring the District’s rates and policies remain stable and predictable

• Proposed Strategic Objectives:
  o Commit to the highest level of customer-owner satisfaction
  o Invest in creating long term value
  o Protect natural resources impacted by operations
  o Ensure financial stability
  o Seek operational excellence through continuous improvement mindset (with an emphasis on efficiency, effectiveness, compliance, risk-assessment, and resiliency)
  o Advance human and organizational performance
  o Encourage innovation

• Reviewed planned actions to support strategic objectives and the schedule to conclude the strategic planning effort

Consent Agenda
(see Chelan PUD website for resolutions)
President Arseneault presented the consent agenda, which included the following items:

• Minutes of the July 15, 2019 Regular Meeting and the July 15, 2019 Special Meeting
• Vouchers: Accounts Payable Summary Report dated July 31, 2019:
  o Vouchers totaling $21,145,738.53;
  o Approval of Customer Deposit Returns and Conservation Incentive payments for the period July 10, 2019 through July 30, 2019 in the amount of $53,026.29;
  o Approval of the net Payroll, Warrant Nos. 236587 through 236607 and Advice Nos. 676822 through 677633 for the pay period ending 07/07/2019 in the amount of $2,057,042.79.
• Resolution 14. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1-6, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 17-70 WITH CACHE VALLEY ELECTRIC CO. OF SALT LAKE CITY, UT AND AUTHORIZING PAYMENT OF RETAINAGE
• Resolution 15. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2 AND 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 18-11 WITH HANCOCK SANDBLAST & PAINT LLC OF PASCO, WASHINGTON AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE
• Resolution 16. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2 AND 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER NEGOTIATED CONTRACT NO. 17-84 WITH CE POWER ENGINEERED SERVICES, LLC OF CINCINNATTI OHIO AND AUTHORIZING PAYMENT OF RETAINAGE
- Resolution 17. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1, 2, 3, AND 4 AND AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 17-51 WITH INTEGRATED POWER SERVICES, LLC OF PORTLAND, OREGON FOR THE ROCK ISLAND HOUSE UNIT STATOR REWIND
- Resolution 18. A RESOLUTION AUTHORIZING AMENDMENT NO. 5 TO CONTRACT NO. 06-50 WITH DANIEL L. SUN, INC. DBA SUN-NET CONSULTING OF SAN JOSE, CA TO PROVIDE CAISO WEBOMS INTEGRATION
- Resolution 19. A RESOLUTION ACCEPTING THE BID OF DELTA STAR, INC. (SCHEDULE A) AND JORDAN TRANSFORMER, LLC (SCHEDULE C) (BID 18-85) FOR THE SUPPLY OF MOBILE SUBSTATION REPLACEMENTS AND CABLE TRAILERS

MOTION
Moved by: Commissioner McKenna
Seconded by: Commissioner Congdon
To accept the consent agenda as presented
Approved: Unanimously

Resolution 20
(see Chelan PUD website for resolution)
- Jim White, Senior Energy Conservation Engineer, and Ingrid Miller, Program Manager for Debt and Grants Compliance, reviewed Resolution 20
- This project is under budget; we’ve replaced about 3800 streetlights in the county with no major concerns
- 57% of project costs were covered by the District, the Transportation Improvement Board covered 30% of costs, and the Commerce Department contributed another 13%; no further costs are anticipated for this contract
- Staff is working with the City of Cashmere and Department of Labor and Industries to finalize grounding issues in Cashmere; that work will not impact this contract
- Resolution 20. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 THROUGH 7 AND APPROVAL OF FIELD WORK ORDER/CHANGE ORDER NOS. 8 THROUGH 10 TO CONTRACT 18-37 WITH MICHEL'S CORPORATION, POWER DIVISION FOR THE CHELAN COUNTY LED STREETLIGHT CONVERSION

MOTION
Moved by: Commissioner Bolz
Seconded by: Commissioner Smith
To approve Resolution 20 as presented
Approved: Unanimously

Manager Items
- Chad Bowman, Director of Transmission and Compliance, gave an update on recent outreach to Plain and Lake Wenatchee regarding transmission lines
  - Held two community meetings in Plain and one in Leavenworth; heard from about 30 customer-owners who were largely supportive of rebuilding the line in its current location
  - Planning on a more formal presentation later this fall to focus on fire risk and the impacts of wildfires in California
- Michelle Smith, Director of Hydro Licensing and Compliance
  - Updated Commissioners on Daroga Park Trail Elimination
    - Received approval from FERC to remove a lingering new license requirement for a small trail south of Daroga Park; we have now completed all recreation items for Daroga and Lincoln Rock State Parks
  - Reported on the Horan Area Visioning Effort
• Internal team is moving ahead with strategic visioning along with State Parks staff to determine what would make the best habitat in that area; meeting with key stakeholders, then plan on a couple public workshops soliciting public feedback
• Anticipate that report to be completed in January 2020 in preparation to provide feedback on the City of Wenatchee’s Confluence Parkway project
  o Along with Mike Kaputa, Chelan County Director of Natural Resources, reported on a feasibility study for river access in Malaga and partnership with Chelan County on this effort
  - The feasibility study will determine if a railroad crossing can be obtained
  - The County’s shoreline access project ranks Malaga as a top priority for providing river access
• This would be part of relicensing early actions for Rock Island

Commission Items
• Commissioner Congdon had a good visit with Customer Service and Security staff this morning and encouraged Commissioners to visit with staff as a way to learn about different departments
• Commissioners expressed thanks to Commissioner Smith and Commissioner McKenna for organizing the July WPUDA meeting in Leavenworth and hosting the welcome reception; Commissioner Smith thanked staff who helped organize tours at Rocky Reach
• Commissioner Arseneault
  o Recently attended a staff safety meeting and noted that staff were appreciative of having a Commissioner in attendance
  o Attended the Energy Northwest Board meeting and found it fascinating
  o Announced that the American Public Power Association is offering a rebate on new Nissan Leaf purchases through September; this rebate is for any PUD customer or employee and the amount varies by model

Commission Travel
• Lisa Sanders, Legal Administrative Assistant, reviewed upcoming Commissioner travel

Commissioner Smith departed the meeting at this time

Follow Up on Delegation of Action Items from the 7/15/19 Board Meeting
• Rebekah Garfein will work with Commissioner Arseneault on a budget revision to support Commissioner training – follow up completed on 7/16/19, no budget revision needed
• Erik Wahlquist will send Commissioners the two current real estate delegation resolutions along with the proposed new resolution – completed via email on 8/5/19

Delegation of Action Items
• Erik Wahlquist will outline potential tariff impacts to contracts and who carries that risk
• Erik Wahlquist will provide a written summary of the GC/CM process including benefits and risks
• Michelle Smith will provide additional information on the Horan Natural Area visioning effort including any upcoming meetings that are scheduled
• Michelle Smith will provide more detailed information on the land that may be considered for a future Confluence Parkway

Executive Session
President Arseneault convened an executive session at approximately 2:55pm 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 review the performance of a public employee, as authorized by RCW 42.30.110(1)(g) for approximately 45 minutes.
Regular Session Reconvened at 3:27pm

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

There being no other business, the meeting adjourned at 3:27pm.

President

Vice President

Secretary

Commissioner

Commissioner