

Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington November 6, 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 N. Wenatchee Avenue, Wenatchee, Washington, on November 6, 2017, at the hour of 10:00 am, pursuant to proper notice thereof.

Commissioners present: Randy Smith, President
Garry Arseneault
Dennis Bolz
Ann Congdon
Steve McKenna

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

Others in attendance: Kelly Ryan, iFiber CEO, and iFiber staff

Call To Order

- President, Randy Smith, called the meeting to order at 10:00am

Pledge of Allegiance and Safety Minute

- Cheryl Hobson, Utility Maintenance Planner, led the pledge and provided a safety minute on safe winter footing

Agenda

- Items 10, 11, 15, and 16 were moved to the consent agenda
- The agenda was approved as revised

Quarterly District Performance Plan Update (see www.chelanpud.org for presentation)

- Managing Directors provided an update of changes to the District's performance plan from the third quarter of 2017

Quarterly Energy Resources Update (see www.chelanpud.org for presentation)

- Gregg Carrington, Managing Director of Energy Resources, and Janet Jaspers, Energy Planning and Trading Manager presented an update on energy resources; Andrew Grassell, Energy Development and Conservation Manager provided an update on energy efficiency results
- Wholesale revenue is \$2.7M higher than budget
- Specified Source energy sales is \$1.5M higher than budget
- Energy Efficiency programs have met the compliance target

- Department of Energy is directing FERC to consider a plan to compensate some of the generators, targeting coal and nuclear
 - Steve Wright, General Manager, noted that we participated with the Large Public Power Council and the American Public Power Association on comments to oppose this

Quarterly Financial Review and Investment Report (see www.chelanpud.org for presentation)

- Kelly Boyd, Chief Financial and Risk Officer, and Craig Kunz, Senior Strategic Financial Planning Analyst, gave an update on the financial and investment report
- 2017 Bottom-line results are better than budget; we expect to remain there at year end
- 2017 Financial metrics are meeting targets
- Recommend continuing strategic goals: Reinvest in assets and people, reduce debt, continue public power benefit program

Quarterly Update on Major Projects, Contracts, and Project Budget Revisions (see www.chelanpud.org for presentation)

- Dave Nelson, Business Advisor for Generation and Transmission, highlighted changes to major projects, contracts and project budgets

Data Local Loop (DLL) Rate Update (see www.chelanpud.org for presentation)

- Bob Shane, Director of Network Operations for Fiber and Telecom, reviewed a proposal for a new data local loop business rate
- Business customer-owners have requested this service
- No new equipment or devices are needed to provide this service

Consent Agenda

- President Smith presented the consent agenda which included the following items:
 - Minutes of the October 16, 2017 Regular Meeting and October 24, 2017 Special Public Meeting
 - Vouchers: Accounts Payable Summary Report dated November 1, 2017:
 - Vouchers totaling \$17,261,346.38
 - Approval of Customer Deposit Returns and Conservation Incentive payments for the period October 11, 2017 through October 31, 2017 in the amount of \$36,027.77
 - Approval of the net Payrolls, Warrant Nos. 235589 through 235614 and Advice Nos. 642113 through 642881 for the pay period ending 10/15/2017 in the amount of \$1,870,994.96; and
 - Approval of Warrant Nos. 23792 through 23883 totaling \$42,776.37 for claim payments from the workers' compensation self-insurance fund for the period ending October 30, 2017
 - A RESOLUTION ADOPTING SMALL WORKS PROCEDURES AND GUIDELINES FOR PROCUREMENT OF CONTRACT SERVICES FOR PUBLIC WORKS THROUGH THE SMALL WORKS ROSTER PURSUANT TO RCW 39.04
 - A RESOLUTION AMENDING THE WASTEWATER RATE SCHEDULES TO ESTABLISH A BASIC MONTHLY AND VOLUME CHARGE FOR LARGE GENERAL WASTEWATER SERVICE FOR THE DRYDEN SYSTEM
 - RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO SERVICES AGREEMENT (SA-TA NO. 13-131) WITH PAGE 5 CONSULTING, LLC TO PROVIDE PROGRAMMING SERVICES CONSULTING
 - A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1 AND 2 AND AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 16-66 WITH BELLINGHAM MARINE INDUSTRIES, INC. OF FERNDALE, WASHINGTON

MOTION

Moved by: Commissioner Bolz

Seconded by: Commissioner Arseneault

To approve the consent agenda as modified

Approved: Unanimously

Commissioners considered the following resolutions 12, 13, 14, and 17

Commissioners heard verbal reports on each resolution:

- Resolution 12 presented by Bob Shane, Director of Network Operations for Fiber and Telecom
 - New carrier services to take advantage of our voice over IP phone system
 - Created implementation plan to phase the cut-over; will have a more resilient service than currently
 - A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICES AGREEMENT (SA NO. 17-177) WITH COMPUTER 5 INC. dba LOCALTEL COMMUNICATIONS OF EAST WENATCHEE, WASHINGTON FOR TELEPHONE LOCAL EXCHANGE CARRIER SERVICES
- Resolutions 13 and 14 presented by Sam Dilly, Project Manager
 - Next step on facilities plan for Rock Island and Rocky Reach; Sam reviewed the unique qualifications of these two firms
 - A RESOLUTION AUTHORIZING AMENDMENT NO. 3 TO SERVICES AGREEMENT (SA-TA NO. 15-151) WITH TCF ARCHITECTURE PLLC TO PROVIDE LONG TERM STRATEGIC FACILITIES PLAN
 - A RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO SERVICES AGREEMENT (SA-TA NO. 17-116) WITH RH2 ENGINEERING, INC. TO PROVIDE LONG-TERM STRATEGIC FACILITIES PLAN ENGINEERING SERVICES
- Resolution 17 presented by George Velazquez, Engineering and Project Management Manager, and Kirk Hudson, Managing Director of Generation and Transmission
 - Kirk noted that the window for working on C-9 was missed because units 8-11 were rewound in half the anticipated time
 - A RESOLUTION AUTHORIZING THE EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NO. 03-04 FOR UNIT C-9 POLE REFURBISHMENT UNDER CONTRACT NO. 15-23 FOR THE ROCKY REACH UNITS C-8 THROUGH C-11 STATOR WINDING REPLACEMENT PROJECT WITH ALSTOM POWER, INC.

MOTION

Moved by: Commissioner Congdon

Seconded by: Commissioner McKenna

To approve Resolutions 12, 13, 14, and 17

Approved: Unanimously

Manager Items

- Mike Coleman, Managing Director of Fiber & Telecom, introduced Kelly Ryan, CEO of iFiber Communications, and the iFiber team
 - iFiber has been on our network for about 10 years; Chelan PUD's implementation of IPTV now allows iFiber to fully serve our market
 - iFiber works exclusively with PUDs across the state to provide services
- Suzanne Hartman, Communications Manager, and Melissa Mayer, Management Analyst for Fiber & Telecom, noted that November 4 was National Give Me Fiber Day
 - The District is rapidly approaching 15,000 fiber customers and will offer an incentive of the chance to win a free iPad to new fiber customers who sign up between November 15 and December 14
- Suzanne Hartman, Communications Manager, reported that the electric vehicle event went great with about 80 people in attendance
- Suzanne Hartman, Communications Manager, invited Commissioners to the 5th Annual Chili Cook-off, a United Way Fund-raiser on November 15 at noon

- Steve Wright, General Manager, announced a public meeting has been scheduled on November 14 in Orondo to gather community feedback on the future of Orondo River Park

Commissioner Travel

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

Commission Items

- Commissioner Smith recently attended an Energy Northwest Conference and had two key takeaways:
 - US reliance on fossil fuels will likely continue due to the cost and degradation of batteries
 - The energy industry likely has not seen a full recovery from the 2008 recession
 - Important for us to consider in relation to the public power benefit

Recessed at 12:00pm and Reconvened at 1:02pm

Public Hearing – 2018 Preliminary Budget Presentation (see www.chelanpud.org for presentation)

- Craig Kunz, Senior Strategic Financial Planning Analyst, and Debra Vaughn, Strategic Financial Planning Analyst, reviewed the preliminary budget presentation
- Strategic Plan Goals: Reinvest in core assets and people, continue debt reduction efforts, and continue the public power benefit program
- Craig reviewed service line budgets and planned capital projects
- The budget does not include any increase to electric rates
- The budget includes 13 additional positions
- Next Steps: The second budget hearing will be held on November 20, with the budget coming back to the Board for a vote on December 4

Follow Up on Delegation of Action Items

- There were no action items for follow up from the October 16, 2017 meeting

Delegation of Action Items

- Gregg Carrington will determine the value of the 55 MWh related to the Canadian Entitlement
- Craig Kunz will give an estimation of the cost of repairs for turbines C9-C11 at Rocky Reach

Matters of General Business as May Necessarily Come Before the Commission

MOTION

Moved by: Commissioner Bolz

Seconded by: Commissioner Arseneault

Move to set a special meeting to be held on Monday, November 13, 2017 at 5:30 pm at Tijuana's Mexican Restaurant, 709 1st Avenue Southeast, Quincy, WA for the purpose of the Mid-C Commissioners/Managers Meeting

Approved: Unanimously

MOTION

Moved by: Commissioner Congdon

Seconded by: Commissioner McKenna

Move to set a special meeting to be held on Tuesday, November 14, 2017 at 6:30 pm at the Orondo School District Building, 100 Orondo School Road, Orondo, WA for the purpose of discussing the Orondo Park future operations

Approved: Unanimously

Executive Session

President Smith convened an executive session at approximately 1:27pm 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 matters affecting national security, as authorized by RCW 42.30.110(1)(a)(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) for approximately 90 minutes.

Regular Session Reconvened at 2:53pm

- President Smith stated no votes were taken and no decisions were made

Recessed at 2:53pm and Reconvened at 5:30pm at the Confluence Technology Center (see www.chelanpud.org for presentation)

Others in attendance: Brian McHardy
Corky Thoreson
Robin Vogel
Kathy Branch
N. and D. Summers
Carolyn Glosenger
Alex Thomason
Gabe and Sandra Flores
Gary Begin, NCW Media
Ken Johannessen, KOHO Radio

President Smith requested a moment of silence for the victims of the Texas shooting on Sunday

- Steve Wright, General Manager, highlighted some of the public questions/comments received and further work that has been done by the Chelan PUD in response to questions and concerns
- Commissioners heard public comment from five individuals
- Erik Wahlquist, General Counsel, provided guidance on Board next steps
- Commissioners expressed their appreciation for those who have been involved in this process for more than two years, including the focus group members, the broader community, the Chelan Mayor and City Council; the Commissioners regret that a perfect location could not be found
- Commissioner Smith closed the Commissioner comments, adding that Commissioners never want to disappoint any customer-owner, yet in order to fairly represent all residents of Chelan County, there has to be compromise

MOTION

Moved by: Commissioner Congdon

Seconded by: Commissioner McKenna

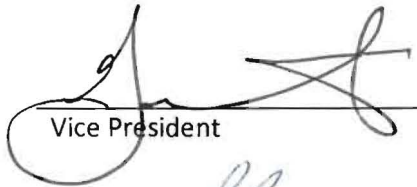
To authorize the General Manager to exercise the District's option to acquire the Henderson properties with the understanding that the acquisition of the property shall not limit the choice of reasonable alternatives where appropriate in any environment review or permitting process for future public use of the property

Approved: Unanimously

There being no other business, the meeting adjourned at 6:40pm.



President



Vice President



Secretary



Commissioner

Commissioner