

**MINUTES OF THE REGULAR
MEETING OF THE COMMISSION**

April 25, 2023

1. Call to Order | Pledge of Allegiance

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:15 a.m. by Commissioner Atul Deshmane. Said meeting was open to the public and notice thereof had been given as required by law. Those present included: Commissioner Christine Grant, Commissioner Jaime Arnett; Commissioner Atul Deshmane; and Legal Counsel Jon Sitkin. Staff: Chris Heimgartner, General Manager; Assistant General Manager Brian Walters; Ann Grimm, Executive Assistant; Andrew Entrikin, Broadband Program Manager; Steve Jilk, In-House Consultant; Annette Smith, Director of Finance; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Paul Siegmund, Manager of Automation and Technology; Aaron Peterson, IT/SCADA Technician; Traci Irvine, Accountant I; and Kurt Wank, Director of Utility Operations.

Public attending:

Rick Maricle, citizen

Dave Olson, citizen

Lauren Turner, Phillips66

Carryn Vande Griend, PSE

2. Approval of Agenda

Due to time constraints, Deshmane requested that Agenda Item 6d be moved, following Executive Session.

ACTION: Commissioner Grant made the motion to AMEND THE AGENDA OF APRIL 25, 2023 AS NOTED. Commissioner Arnett second the motion. Motion passed unanimously.

3. Approval of Consent Agenda

- a) Approval of Meeting Minutes of the Regular Meeting, April 11, 2023;
- b) Approval of Meeting Minutes of the Special Meeting, April 13, 2023
- c) Approval of the Claims of April 25, 2023:

Vendor	Amount
ALUMICHEM CANADA INC (formerly WATERHOUSE ENV.)	30,956.00
ARG INDUSTRIAL, INC.	51.88
BONNEVILLE POWER ADMINISTRATION	665,900.00
BRIDGEVIEW AUTO PARTS	211.75
BRIM TRACTOR COMPANY	329.79
CESCO NEW CONCEPT CHEMICAL PRODUCTS	148.95
CHMELIK SITKIN & DAVIS	12,212.00
COMCAST	191.61
COMCAST - NWRC	304.57
CONSOR NORTH AMERICA, INC.	76,104.64
CULLIGAN NORTHWEST	200.39
EDGE ANALYTICAL LABORATORIES	31.00
FASTENAL	49.15
FERGUSON ENTERPRISES, INC	110.26
FERNDALE ACE HARDWARE	3.58
GATEWAY CONTROLS	2,493.69
GDS ASSOCIATES (EES CONSULTING)	5,370.00
GOODWIN, CHRISTOPHER	50.00
HARDWARE SALES, INC	26.98
HD FOWLER CO, INC	237.34
HOLLAND & HART LLP	10,570.00
INTERNAL REVENUE SERVICE	20,914.24
IVOXY CONSULTING LLC	565.00
MASSMUTUAL RETIREMENT SVCS LLC	12,800.00
MILLS ELECTRIC	23,062.23
P&P EXCAVATING, LLC	2,573.82
PACIFIC SURVEY & ENGINEERING	1,355.00
PAYLOCITY	183.16
PAYROLL	222,476.85
PLATT ELECTRIC SUPPLY CO	43.49
PROBUILD - OSO LUMBER	159.70
PUD #1 OF WHATCOM COUNTY	137.46
PUGET SOUND ENERGY, INC	1,336.07
REISNER DISTRIBUTION, INC	10,666.32
RH2 ENGINEERING, INC	8,052.69
SCHWEITZER ENGINEERING LABS	11,367.81
SMITH MECHANICAL	870.66
STAR RENTALS	1,705.78
STEEL RIVER PIPING & FABRICATION	39,471.76
TUPPER MACK WELLS PLLC	20,170.50

ULINE, INC.	358.96
WA FEDERAL VISA CARD MEMBER SERVICES	8,049.23
WA ST DEPT OF RETIREMENT SYSTEMS	25.00
WA ST DEPT OF REVENUE - EXCISE TAX	76,638.31
WA ST DEPT OF REVENUE - LEASEHOLD TAX	707.10
<u>WESTERN CONFERENCE OF TEAMSTERS</u>	<u>8,785.00</u>
GRAND TOTAL	\$1,278,029.72

ACTION: Commissioner Grant made the motion to APPROVE THE CONSENT AGENDA OF APRIL 25, 2023. Commissioner Arnett second the motion. Motion passed unanimously.

4. Public Comment - No comments.

5. Old Business

a) Broadband Program Update

- The Washington State Broadband Office has delayed the award date of grants until May or possibly later.
- The broadband mapping bill (2SHB 1746) did not pass in the Legislature this session.
- WPUDA Telecom Committee has been asked to look into retail internet service provider authority for data only.
- WPUDA Telecom Workshop – Deshmane has been asked to participate as a moderator and plans to attend.

b) Adjudication Update

Sitkin said House Bill 1792 was approved and signed by the Governor. The budget proviso for technical assistance, etc., did make it into the final budget, taking effect in 2024-2025.

Deshmane had lunch with Robin McPherson (Ecology Adjudications). Discussion ensued that the PUD should craft a press release relating to the adjudication and education outreach. The budget proviso recently approved includes funding for communication and education. The WRIA1 Watershed Management Board will manage these funds received from the state.

6. New Business

a) 2022 Financial Report

Finance Director Smith provided an overview of the 2022 District Financial Report. The District’s financial policies conform to the Generally Accepted Accounting Principles (GAAP) and the financial statements have been developed in compliance with the Governmental Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.

ACTION: Commissioner Grant made the motion to ACCEPT THE DISTRICT’S 2022 ANNUAL FINANCIAL REPORT AND AUTHORIZE SUBMITTAL TO THE STATE AUDITOR’S OFFICE. Commissioner Arnett second the motion. Motion passed unanimously.

Clerk Note: Presentation Slides are posted at the end of the Minutes and the 2022 Financial Report is available on the PUD’s website at <https://www.pudwhatcom.org/the-commission/financialdocuments>

b) Award of Bid for 30kW Solar Panel Array Project

One of Whatcom PUD’s goals identified in the Commission’s Strategic Plan 2025 document is to “Define the PUD’s role in advancing clean and renewable energy”. Strategy RE2 listed under this Goal is to “Undertake a demonstration project of the use of alternative clean and renewable energy technologies.” Consistent with Strategy RE2, PUD staff investigated the implementation of a renewable energy technology to be located on PUD property and integrated with water utility facilities.

The Request for Proposals for a 30kW Solar Panel Array was issued March 24, 2023. Bids were received in time for the opening on April 14, 2023 at 10:00 a.m. Two bid packages were received by the deadline and deemed responsive:

<u>Vendor</u>	<u>Bid Amount (tax not included)</u>
Western Solar	\$60,868.15
Barron Solar	\$72,368.00

Western Solar’s bid package was determined to be the lowest priced responsive bid. Staff recommends awarding the Contract to Western Solar. The project was not specifically identified in the 2023 Capital Improvement Budget so funding can be secured from two internal funds: BPA Incentive Fund and the ALCOA Fund. Discussion ensued on the funding sources.

ACTION: Commissioner Grant made the motion to AWARD THE PLANT 2 SOLAR ARRAY PROJECT CONTRACT TO WESTERN SOLAR AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT. Commissioner Arnett second the motion. Motion passed unanimously.

c) Approve Resolution No. 831 – Amend the Policy for Compensation of Administrative Employees

In 2020, Washington State implemented the new Paid Family and Medical Leave Program (PFML). No District employee has utilized the program until recently. This recent request for PFML prompted us to write a guidance policy. In preparing this guidance policy, staff consulted with Legal Counsel Peter Ruffatto. This will amend the Policy for Compensation of Administrative Employees to include a summary of the PFML program and guidance for any District employee who utilizes the state benefit.

ACTION: Commissioner Arnett made the motion to APPROVE RESOLUTION NO. 831 AMENDING THE POLICY FOR EMPLOYEE COMPENSATION OF ADMINISTRATIVE EMPLOYEES FOR THE PURPOSES OF ADDING THE WA STATE PAID FAMILY MEDICAL LEAVE (PFML) PROGRAM GUIDANCE POLICY. Commissioner Grant second the motion. Motion passed unanimously.

7. General Manager Report

- At the last meeting, Heimgartner requested individual responses from Commissioners regarding the discussion of the WRIA1 survey questions by today. Deadline to submit answers to the is this afternoon. Arnett and Deshmane were comfortable with Heimgartner's draft responses. Grant will respond later today.

8. Operations Report

- Walters said two projects coming to conclusion:
 - A pump at WTP1 has twice been sent back to manufacturer due to mechanical issues; then when unloading/re-installing, it was accidentally dropped and was returned again to the factory. The pump is back, fully installed and is running successfully.
 - Compressor Project installation at Plant 1 is just about finished. This was added to help relieve rental/smaller compressor efforts during extreme frazil ice conditions.

9. Commissioner Reports

Arnett:

- Attended WPUDA committee meetings two weeks ago; inquired about collaborating with fellow commissioners and suggested that the District have occasional work sessions in the evenings (no action or public comment taken).
- Reminder to the Commission and in consideration of the public, to stop using acronyms as it can be difficult to follow along.
- Inquired about the communications plan including social media, and proposed to schedule a work session to discuss these.
- Grant suggested to include the General Manager's Review/Strategic Plan Review at the same time.
- Confirmed the discussion Northwest River Partners membership will be discussed at the May 23 regular meeting.

Grant:

- Will be attending Energy Northwest meetings in Richland this week.

Deshmane:

- Would like to attend a virtual two-day *Clean and Affordable Energy Conference* conducted by the Northwest Energy Coalition on May 4 and May 9.

10. Public Comment

Rick Maricle commented on private well owners and the adjudication process, and reminded Commissioners of the PUD's past fiber effort did not survive. PUD customers footing the bill for the current fiber/telecom effort should be reimbursed by the PUD.

11. Executive Session

Commission President Deshmane requested an Executive Session pursuant to RCW 42.30.110(1)(i) Potential Litigation – (a) Water Rights Adjudication and (b) Potential Litigation. Estimated time for Executive Session was thirty (30) minutes. The Commission President indicated no action is anticipated to be taken after the adjournment of Executive Session. The Commission adjourned to Executive Session at 9:50 a.m.

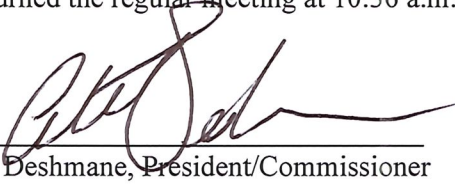
- At 10:20 an additional ten minutes was requested
- At 10:30 an additional two minutes was requested

Executive Session Adjourn

There being no further business for Executive Session, the Commission rejoined the Regular Commission Meeting at 10:34 a.m.

12. Adjourn

Due to time constraints, Agenda Item 6d: *Post 2028 Bonneville Power Contract Briefing* will be postponed until the next meeting. There being no further business for the regular meeting, Deshmane adjourned the regular meeting at 10:36 a.m.



Atul Deshmane, President/Commissioner



Christine Grant, Vice President/Commissioner



Jaime Arnett, Secretary/Commissioner

Commission Clerk Note:

Video recordings of the Whatcom PUD Commission Meetings are available online at the following link on the PUD's Website: <https://www.pudwhatcom.org/the-commission/2023-agendas-packets-meeting-minutes-recordings/>

WHATCOM PUD



2022 Financials Presentation

April 25, 2023

WHATCOM
PUD

2022 Notes

- **SUPPLY CHAIN** - The biggest effect on the District in 2022 and 2023 are problems in the supply chain and large cost increases.
- **ALCOA** - The Alcoa Intalco property was still operating at minimal levels. The official closure of Alcoa at Cherry Point was announced in March 2023.
- **PHILLIPS 66** – Completed needed maintenance on the refinery substation during a turn-around in October.
- **FLOOD** - In November 2021, the county experienced significant flooding. The District had damage at two of the water intakes on the Nooksack river. Repairs were done in early 2022.
- **TELECOM** – In 2022 the District explored, alongside the Port and other entities, ways to expand and improve telecom coverage across Whatcom county.
- **GENERAL MANAGER** – Chris Heimgartner started in February.
- **FRAZIL** – In January and December we experienced frazil ice. Christmas Eve we saw the effects of an ice dam break up river and the resulting ice and debris.

2022 YEAR-END PRESENTATION



2022 Annual Financial Presentation

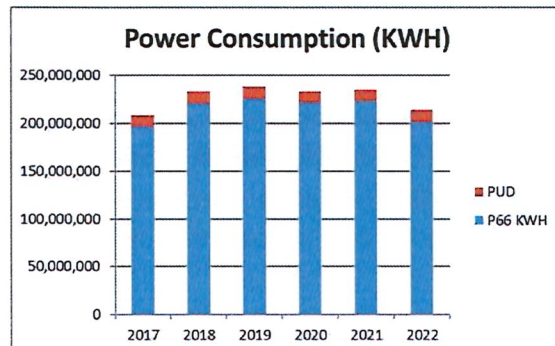
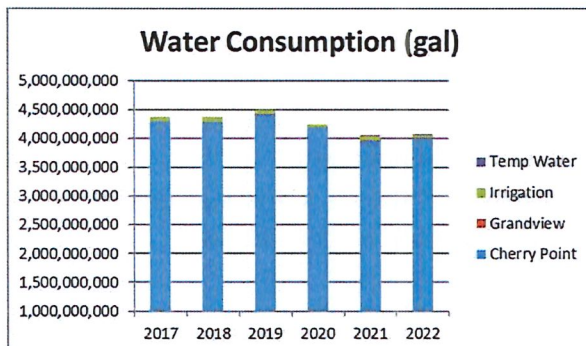
	2022	2021	Variance	%	2022 Budget	Variance	%
REVENUE							
1 Service Revenues - Industrial Water	\$ 9,484,268	\$ 8,941,405	\$ 542,863	6%	\$ 9,396,884	\$ 87,384	1%
2 Service Revenues - Irrigation	85,304	94,112	(8,808)	-9%	81,567	3,737	5%
3 Service Revenues - Grandview Utility	243,660	256,339	(12,679)	-5%	280,351	(36,691)	-13%
4 Service Revenues - Electric Utility	2,238,960	2,203,956	35,004	2%	2,238,954	6	0%
5 Misc Revenue	239,885	187,927	51,958	28%	68,025	171,860	253%
TOTAL REVENUE	\$ 12,292,077	\$ 11,683,739	\$ 608,338	5%	\$ 12,065,781	\$ 226,296	2%
EXPENSES							
6 Labor & Benefits	(3,596,689)	(3,156,145)	(440,543)	14%	(3,903,165)	306,476	-8%
7 O&M Expenses	(2,014,980)	(1,898,935)	(116,045)	6%	(2,097,945)	82,965	-4%
8 Administration Expenses	(2,176,549)	(3,189,431)	1,012,882	-32%	(2,682,887)	506,338	-19%
9 Telecom	(84,472)	-	(84,472)	0%	-	(84,472)	0%
TOTAL EXPENSES	\$ (7,872,689)	\$ (8,244,512)	\$ 371,822	-5%	\$ (8,683,997)	\$ 811,308	-9%
BUSINESS SERVICES/GRANTS							
10 Business Service Revenue	435,590	67,258	368,332	548%	283,000	152,590	54%
11 Business Service Expenses	(248,326)	(59,910)	(188,416)	314%	(283,000)	34,674	-12%
TOTAL BUSINESS SERVICES	\$ 187,265	\$ 7,348	\$ 179,917	2448%	\$ -	\$ 187,265	0%
12 INCOME (LOSS)	\$ 4,606,653	\$ 3,446,576	\$ 1,160,077	34%	\$ 3,381,784	\$ 1,224,869	36%
CAPITAL COSTS							
13 Debt Service	(2,496,070)	(2,532,703)	36,633	-1%	(2,496,070)	-	0%
14 Transfers for Capital Projects	(2,515,000)	(566,053)	(1,948,947)	344%	(1,470,000)	(1,045,000)	71%
TOTAL CAPITAL COSTS	\$ (5,011,070)	\$ (3,098,756)	\$ (1,912,314)	62%	\$ (3,966,070)	\$ (1,045,000)	26%

2022 YEAR-END PRESENTATION



2022 Annual Financial Presentation

	2022	2021	Variance	%	2022 Budget	Variance	%
REVENUE							
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5 Misc Revenue	239,885	187,927	51,958	28%	68,025	171,860	253%
TOTAL REVENUE	\$ 12,292,077	\$ 11,683,739	\$ 608,338	5%	\$ 12,065,781	\$ 226,296	2%



2022 Average Cost 1 Gallon of Water - \$ 0.024
 2022 Average General Svc Cost 1 KWH of Power sold - \$ 0.111

2022 YEAR-END PRESENTATION



2022 Annual Financial Presentation

EXPENSES	2022	2021	Variance	%	2022 Budget	Variance	%
6 Labor & Benefits	(3,596,689)	(3,156,145)	(440,543)	14%	(3,903,165)	306,476	-8%
7 O&M Expenses	(2,014,980)	(1,898,935)	(116,045)	6%	(2,097,945)	82,965	-4%
8 Administration Expenses	(2,176,549)	(3,189,431)	1,012,882	-32%	(2,682,887)	506,338	-19%
9 Telecom	(84,472)	-	(84,472)	0%	-	(84,472)	0%
TOTAL EXPENSES	\$ (7,872,689)	\$ (8,244,512)	\$ 371,822	-5%	\$ (8,683,997)	\$ 811,308	-9%

6 LABOR & BENEFITS	2022	2021	Variance		Budget	Variance	
Operations	\$ 1,321,470	\$ 1,269,408	\$ 52,062	4%	\$ 1,528,505	\$ (207,035)	-14%
Administration	2,057,470	1,661,362	396,108	24%	2,159,629	(102,159)	-5%
Commission	217,748	225,376	(7,628)	0%	215,031	2,717	1%
Total	\$ 3,596,688	\$ 3,156,146	\$ 440,542	14%	\$ 3,903,165	\$ (306,477)	-8%
LABOR - CWIP AND EXTRAORDINARY	\$ 145,590	\$ 134,896	\$ 10,694	8%	\$ 235,032	\$ (89,442)	-38%

8 ADMINISTRATION EXPENSES	2022	2021	Variance		Budget	Variance	
Outside Services	\$ 174,398	\$ 318,877	\$ (144,478)	-45%	\$ 717,745	\$ 543,347	76%
Business Development Projects	448,825	187,899	260,926	139%	420,000	(28,825)	-7%
Fees, Permits, Assessments	185,629	14,352	171,277	1193%	14,885	(170,744)	-1147%
Miscellaneous	155,331	1,504,886	(1,349,555)	-90%	165,000	9,669	0%
Other	1,212,365	1,163,417	48,948	4%	1,365,256	152,891	11%
Total	\$ 2,176,549	\$ 3,189,431	\$ (1,012,882)	-32%	\$ 2,682,886	\$ 506,337	19%

2022 YEAR-END PRESENTATION



2022 Annual Financial Presentation

BUSINESS SERVICES/GRANTS	2022	2021	Variance	%	2022 Budget	Variance	%
10 Business Service Revenue	435,590	67,258	368,332	548%	283,000	152,590	54%
11 Business Service Expenses	(248,326)	(59,910)	(188,416)	314%	(283,000)	34,674	-12%
TOTAL BUSINESS SERVICES	\$ 187,265	\$ 7,348	\$ 179,917	2448%	\$ -	\$ 187,265	0%

10-11 BUSINESS SERVICES/GRANTS	2022 Revenue	2022 Expenses	Variance		2022 Budget	Variance	
Water Supply Plan - RWSP	\$ 101,915	\$ 129,871	\$ (27,957)	-22%	\$ 143,000	\$ (41,085)	-29%
Water Group A work - DOH	-	-	-	0%	40,000	(40,000)	-100%
Education and Outreach - PSP	82,950	93,700	(10,750)	-11%	100,000	(17,050)	-17%
Well Monitor - DOH	39,994	24,754	15,240	62%	-	39,994	0%
Broadband Reimb - Port of Bham & Petrichor	27,017	-	27,017	0%	-	27,017	0%
Energy Efficiency - BPA	183,714	-	183,714	0%	-	183,714	0%
BUSINESS SERVICE	\$ 435,590	\$ 248,326	\$ 187,265	75%	\$ 283,000	\$ 152,590	54%

2022 YEAR-END PRESENTATION



2022 Annual Financial Presentation

	2022	2021	Variance	%	2022 Budget	Variance	%
CAPITAL COSTS							
13 Debt Service	(2,496,070)	(2,532,703)	36,633	-1%	(2,496,070)	-	0%
14 Transfers for Capital Projects	(2,515,000)	(566,053)	(1,948,947)	344%	(1,470,000)	(1,045,000)	71%
TOTAL CAPITAL COSTS	\$ (5,011,070)	\$ (3,098,756)	\$ (1,912,314)	62%	\$ (3,966,070)	\$ (1,045,000)	26%

CAPITAL IMPROVEMENT PROJECTS		2022	2021	Variance		Budget	Variance	
IS15	Communications Backbone	\$ 219	\$ 22,967	\$ (22,748)	-99%	\$ 600,000	\$ (599,781)	-100%
RW28	Plant 1 Projects	77,145	793,190	(716,045)	-90%	25,000	52,145	209%
RW38	WTP1 Rebuild	557,931	215,668	342,262	159%	885,613	(327,682)	-37%
E6	115kV Transmission Line Improvements	-	372,040	(372,040)	-100%	50,000	(50,000)	-100%
E22	Ferndale Substation	1,082,882	5,694,736	(4,611,854)	-81%	876,534	206,348	24%
E27	Refinery Substation	153,347	1,404,259	(1,250,912)	-89%	100,000	53,347	53%
ALL OTHER CWIP		109,385	397,830	(288,445)	-73%	1,894,885	(1,785,500)	-94%
TOTAL W/O E27		\$ 1,827,561	\$ 7,496,430	\$ (5,668,869)	-283%	\$ 4,332,032	\$ (2,504,471)	-58%

2022 YEAR-END PRESENTATION



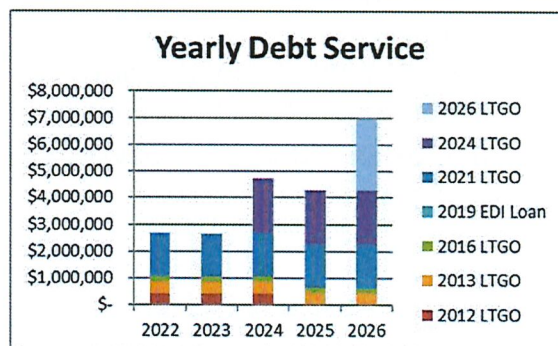
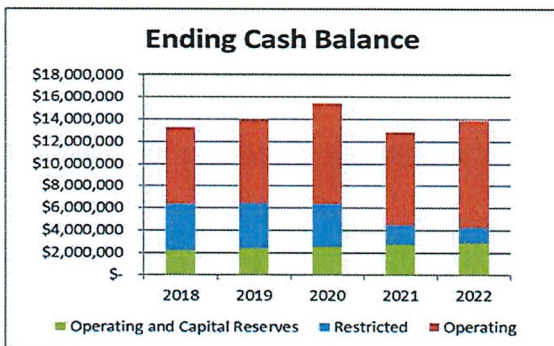
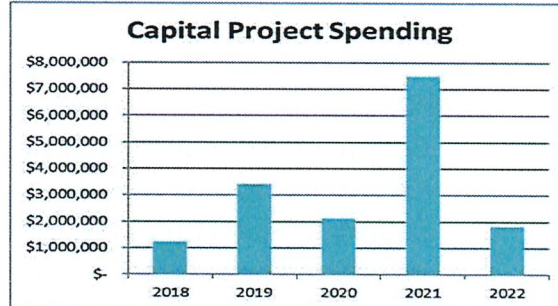
2022 YEAR-END PRESENTATION



2022 Annual Financial Presentation

	2021	2022
BEGINNING CASH BALANCE	\$ 15,431,269	\$ 12,877,176
+ RECEIPTS	26,065,501	22,024,180
- OPERATING EXPENSES	16,561,376	16,480,181
- DEBT SERVICE	2,699,791	2,660,111
- USE OF RESTRICTED FUNDS	1,996,572	-
- CAPITAL PROJECTS	7,361,855	1,911,032
ENDING CASH BALANCE	\$ 12,877,176	\$ 13,850,032

Includes Reserves



2022 YEAR-END PRESENTATION



2022 Telecom Activity

CASH RECEIPTS	Port of Bellingham	\$ 26,500	
	Petrichor	518	
	Alcoa Fund support	50,000	
		\$ 77,017	
EXPENSES	Labor & Benefits	157,116	} <i>Under Labor & Benefits</i> \$ 84,472
	Telecom feasibility Study	71,182	
	Legal	11,422	
	SHLBC membership	500	
	Other	1,368	
		\$ 241,588	
NET INCOME (LOSS)		\$ (164,570)	

2022 YEAR-END PRESENTATION

2023 Issues - Concerns

- **SUPPLY CHAIN** - Continued large increases in costs
 - Continued extended lead times in materials and equipment
 - Contractors having trouble bidding due to time limits from suppliers
 - Equipment lead times are complicated by purchase fulfillment errors
 - Increased transportation costs
- **CONSULTANTS** - Difficulties with outside consultants due to employee turnover
- **CUSTOMERS** - Major customers experiencing the same difficulties. Alcoa announced in March their decision to close.
- **UNBUDGETED COSTS** – Several unbudgeted projects and capital projects have come up.

Questions?