

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

October 24, 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 Atul Deshmane, Commissioner Christine Grant, Commissioner Jaime Arnett and Legal Counsel Jon Sitkin, Sarah Mack, Matt Wells, and Hayley Vendoza. Staff: Chris Heimgartner, General Manager; Assistant General Manager Brian Walters; Andrew Entrikin, Broadband Program Manager; Ann Grimm, Executive Assistant; Annette Smith, Director of Finance; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Paul Siegmund, Manager of Automation and Technology; Mike Macomber, IT/SCADA Technician; Aaron Peterson, IT/SCADA Technician; Devin Crabtree, Chief Water Operator; Traci Irvine, Accountant I; and Garrett Love-Smith, Project Manager.

Public attending:

Dave Olson, Citizen

Jack Wellman, Puget Sound Energy

Rick Maricle, Citizen

2. Approval of Agenda

Commissioner Deshmane requested an addition to old business: Discuss Board Retreat Ideas.

ACTION: Commissioner Grant made the motion to APPROVE THE AGENDA OF OCTOBER 24, 2023, AS AMENDED. Commissioner Arnett second the motion. Motion passed unanimously.

3. Approval of Consent Agenda

- a) Approval of Meeting Minutes of the Regular Meeting of October 10, 2023; and
- b) Approval of the Claims of October 24, 2023:

VENDOR NAME	AMOUNT
INDUSTRIAL SUPPLY, INC	965.46
BONNEVILLE POWER ADMINISTRATION	639,034.00
CHMELIK SITKIN & DAVIS	14,032.00
COMCAST	201.61
COMCAST - NWRC	304.43
CONNER, ERIC	592.12
CRABTREE, DEVIN	40.53
CULLIGAN NORTHWEST	143.55
EDGE ANALYTICAL LABORATORIES	346.00
FEDERAL EXPRESS	17.16
FERNDALE ACE HARDWARE	36.09
FERNDALE CITY OF	50.00
HARDWARE SALES, INC	29.34
INTERNAL REVENUE SERVICE	18,859.71
IVOXY CONSULTING LLC	5,715.81
LAPLAUNT, DAVID	45.33
LES SCHWAB TIRE CENTER	121.83
LOOMIS, CHRIS	75.88
MANAGEMENT SERVICES NW	689.61
MASSMUTUAL RETIREMENT SVCS LLC	12,940.00
NORTH COAST ELECTRIC COMPANY	8,270.42
P&P EXCAVATING, LLC	1,470.50
PACIFIC POWER BATTERIES	786.08
PACIFIC SURVEY & ENGINEERING	3,570.00
PAYLOCITY	183.16
PAYROLL	222,579.54
PLATT ELECTRIC SUPPLY CO	285.43
PUGET SOUND ENERGY, INC	542.58
PUMPTECH	1,544.49
REISNER DISTRIBUTION, INC	1,597.49
ROGERS MACHINERY COMPANY INC	189.98
STAR RENTALS	3,096.03
ULINE, INC.	397.78
VALVOLINE	121.29
WA FEDERAL VISA CARD MEMBER SERVICES	7,746.35

WA ST DEPT OF REVENUE - EXCISE TAX	77,531.53
WA ST DEPT OF REVENUE - LEASEHOLD TAX	1,259.22
WESTERN CONFERENCE OF TEAMSTERS	7,812.00
WESTERN SOLAR	20,595.37
<u>WHATCOM COUNTY EXECUTIVE DEPT</u>	<u>44,332.00</u>
GRAND TOTAL	\$1,098,151.70

ACTION: Commissioner Grant made the motion to APPROVE THE CONSENT AGENDA OF OCTOBER 24, 2023. Commissioner Arnett second the motion. Motion passed unanimously.

4. Public Comment – None made.

5. General Manager’s Report

- Has a draft letter prepared for approval on behalf of PUD Commissioners send to County Executive and County Councilmembers in support of a County Code to allow development of various carbon-free energy projects. No action taken; however, the Board supported and signed the letter.
- Has hired a recruiter for the Assistant General Manager position;
- Asked for future consideration to join the American Public Power Association; membership is \$8,000 per year.
- Delta Tech Industrial Park (near Grandview) may be interested in selling their water system to the PUD;
- Visit from Representative Joe Timmons is November 9;
- Met with Eric Hirst;
- Intalco Substation Purchase Update: Contractual issues remain between Bonneville Power Administration serving Altagas and the decommissioning of the Intalco plant.
- Has Sitkin looking into Cherry Point land use/development;
- Sitkin updated on the Clean Energy Siting Act

6. Old Business

a) Broadband Program Update

- Entrikin updated on the status of Interlocal Agreement with Whatcom County and is ready for the GM to sign the document;
- The Geothermal lease is back in the hands of the Bureau of Land Management; the District will have to go through the “renomination process” of the lease.

b) Adjudication Update

- Will be meeting with Robin McPherson, Adjudication Manager for WA State Dept. of Ecology;
- Will be presenting an adjudication update with Whatcom Family Farmers in late November.

c) Board Retreat Discussion

- The current proposal for consulting to the Board was not widely accepted;
- Commissioners discussed what they had in mind for a Board Retreat, from leadership styles/communication and culture, more staff involvement, to being focused on the public opinion of the District.
- Heimgartner will report back at the next meeting with consultants and tentative date ideas.

7. New Business

a) Approval of Agreement with Puget Sound Energy: Firm Point-to-Point Transmission Service

The agreement allows for two (2) megawatts of firm capacity on Puget Sound Energy’s (PSE) system from the Custer substation to Enterprise Substation for up to twenty (20) years. In addition, the agreement provides for PSE to provide Ancillary Services sufficient to assure that power purchased from Bonneville Power Administration will be delivered to the PUD.

ACTION: Commissioner Grant made the motion to APPROVE PUGET SOUND ENERGY SERVICE AGREEMENT FOR FIRM POINT-TO-POINT TRANSMISSION SERVICES AND AUTHORIZE THE GENERAL MANAGER TO SIGN AND EXECUTE THE AGREEMENT.

b) Approve Resolution No. 836 - Authorizing Point Roberts Broadband Fiber Optic Network Agreement with Whatcom County.

The resolution allows the General Manager to enter into grant agreements with Whatcom County for fiber infrastructure to Point Roberts.

ACTION: Commissioner Grant made the motion to APPROVE RESOLUTION NO. 836 AUTHORIZING THE GENERAL MANAGER TO EXECUTE ALL AGREEMENTS NECESSARY TO ENTER INTO GRANT AGREEMENTS WITH WHATCOM COUNTY TO BRING FIBER OPTIC INFRASTRUCTURE TO THE POINT ROBERTS COMMUNITY, Commissioner Arnett second the motion. Motion passed unanimously.

c) Draft 2024 Budget Presentation

Smith provided the first draft presentation of the 2024 Budget. Slides from the presentation are attached at the end of the Minutes.

Budget Schedule:

- November 7, 2023: Industrial water customers meeting on draft budget;
- November 8, 2023: Grandview water customers meeting on draft budget;
- November 28, 2023: Second draft budget presentation and Public Hearing;
- December 12, 2023: Final 2024 Budget and Rates to be approved.

ACTION: No action taken or requested of. Information only.

8. Operations Report

Walters reported:

- As mentioned in the draft Budget presentation; how to move forward with the Water Treatment Plant 1 Rebuild is of utmost importance.
- A reminder that flood and frazil ice conditions are forthcoming. Divers are working to clean the intake screens for both water plants. Algae and other small materials deposited during summer river conditions will be cleared off.

9. Commissioner Reports

Deshmane:

- Will attend the Public Power Council Meetings in-person next week;
- Attending WPUDA meetings in November;

Grant:

- Meeting with Representative Ramel;
- Attending Energy Northwest Meeting via Zoom this week;
- Has requested an appointment with the Chairwoman of the Nooksack Tribe to discuss geothermal power.

Arnett:

- No meetings to report.
- May attend the WPUDA Committee Meetings in November in-person.

10. Public Comment

Rick Maricle commented on the Draft 2024 Budget broadband program's shortfall and that the water and electric utilities should be reimbursed – otherwise known as cross-subsidizing.

11. Executive Session

Commission President Deshmane requested an Executive Session pursuant to RCW 42.30.110(1)(i): Potential Litigation – Water Rights Adjudication. Estimated time for Executive Session was two hours. The Commission President indicated no action was anticipated to be taken after the adjournment of Executive Session. After a short recess, the Commission adjourned to Executive Session at 10:02 a.m.

Executive Session Adjourn

There being no further business for Executive Session, the Commission rejoined the Regular Commission Meeting at 11:59 a.m.

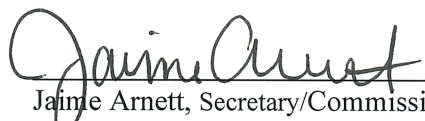
12. Adjourn

There being no further business for the regular meeting, Deshmane adjourned the regular meeting at 12:00 p.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/>

Attachment: Draft 2024 Budget Presentation

Presentation Outline

- Operating Budget
- Personnel
- Capital Budget
- Extraordinary Maintenance
- Debt
- Reserves
- Strategic Plan Objectives
- Preliminary Rates
- What's Next

Budget Book: <https://www.pudwhatcom.org/the-commission/financial-documents/>

Operating Budget

COSTS - 2024				A	B	A-B	
	Industrial Water	Grandview	Electric	2024 TOTAL	2023 TOTAL PROJECTED	INCREASE (DECREASE)	%
Electric Power Costs & tax	\$ -	\$ -	\$ 8,244,300	\$ 8,244,300	\$ 7,318,334	\$ 925,966	12.7%
Water Power Net of BPA Credit	631,200	6,700	-	637,900	554,762	83,138	15.0%
Purchased Water	-	3,600	-	3,600	4,812	(1,212)	-25.2%
Water Purification Costs	473,800	1,000	-	474,800	431,659	43,141	10.0%
Operating Labor & Benefits	2,727,300	155,300	1,311,400	4,194,000	3,812,324	381,676	10.0%
O&M Expense - On-going	491,200	45,300	182,700	719,200	585,149	134,051	22.9%
Extraordinary Maint	580,000	-	290,000	870,000	566,189	303,811	53.7%
Admin Expenses	226,500	7,400	246,300	480,200	391,987	88,213	22.5%
Education	21,500	400	20,100	42,000	30,308	11,692	38.6%
Outside Services	184,000	15,000	138,000	337,000	345,129	(8,129)	-2.4%
Insurance	150,000	10,900	105,400	266,300	213,432	52,868	24.8%
Miscellaneous & Election Costs	83,500	2,200	94,300	180,000	175,823	4,177	2.4%
Electric General Svc Charge	210,800	-	-	210,800	81,336	129,464	159.2%
Business Development / Projects	622,200	100	29,700	652,000	434,191	217,809	50.2%
Business Services / Reimbursed	114,100	800	107,800	222,700	89,067	133,633	150.0%
Taxes on Services	646,200	22,100	165,700	834,000	661,571	172,429	26.1%
LJD Debt Service	-	157,900	-	157,900	160,995	(3,095)	-1.9%
Other Debt Service	1,963,300	-	532,800	2,496,100	2,495,530	570	0.0%
Capital Transfers	3,535,000	65,000	350,000	3,950,000	2,660,000	1,290,000	48.5%
TOTAL BY FUND	\$ 12,660,600	\$ 493,700	\$ 11,818,500	\$ 24,972,800	\$ 21,012,738	\$ 3,960,062	18.8%

Sections 2 - 5

Operating Budget

ADMIN EXPENSES		
	2024	2023
Office Expense	\$ 87,900	\$ 84,482
Office - Computer	228,000	146,782
Office - Utilities	49,400	47,944
Dues & Subscriptions	80,500	79,888
Fees, permits, locates	13,800	13,149
Advertisements	6,500	5,659
Mileage & Vehicle expenses	14,100	14,083
	\$ 480,200	\$ 391,987

BUSINESS PROJECTS	
Adjudication	\$550,000
Whatcom County Comp Plan	20,000
Habitat Restoration	20,000
Water System Services/Tech	16,000
Water Association work	2,000
Watershed Management Support	10,000
Geothermal	25,000
Social Media Work	5,000
Public Records Request	2,000
Employee Enrichment	2,000
	\$652,000

OUTSIDE SERVICES		
	2024	2023
Accounting	\$ 22,000	\$ 94,967
Computer Services	50,000	53,568
Engineering	72,000	54,579
Legal	151,000	110,969
System Monitoring	4,000	1,964
Outside Consulting - other	32,000	23,420
Power Regulations	6,000	5,663
	\$ 337,000	\$ 345,129

BUSINESS SERVICES		
Water System Consolidation	DOE	\$ 10,000
Feasibility Study Small Wtr	DOH	65,000
Aldergrove Connection	DOE	10,000
Pt Roberts Fiber	multiple	2,596,000
Geothermal	?	75,000
Cybersecurity	SLCGP	63,000
		\$ 2,819,000

Section 4

Operating Budget

MEMBERSHIP	
	2023
AMAZON PRIME	\$ 151
ASSOCIATION WA CITIES	500
AWWA	400
BELLINGHAM CHAMBER OF COMMERCE	330
FERNDAL CHAMBER OF COMMERCE	325
NRU	11,909
NW INTERGOVERNMENTAL ENERGY	15,257
NWPPA	6,306
NW RIVER PARTNERS	6,160
PACIFIC NW UTILITIES (PNUCC)	1,000
PUBLIC POWER COUNCIL	3,865
SHLBC	500
SOCIETY FOR HUMAN RESOURCES	244
WAPRO	25
WHATCOM COUNCIL GOVERNMENTS	150
WPUA	14,690
	\$ 61,812

ALLOCATION CHANGE

	403	411	481
2022	70.6%	3.2%	26.2%
2023	72.9%	3.4%	23.7%
2024	46.4%	1.2%	52.4%

Based on Labor Hours
Based on Operating Sales

Allocates: Internal Services Expense
General Admin Labor
Internal Services Capital

Extraordinary Maintenance Budget – by Year

EXTRAORDINARY MAINTENANCE		2023	2024	2025	2026	2027	2028	2024-2028
		Projected	Budget	Budget	Budget	Budget	Budget	Budget
RW-M-2	Clean Sediment Settling Ponds	\$ 209,167	\$ 155,000	\$ 165,000	\$ 165,000	\$ 175,000	\$ 175,000	\$ 835,000
RW-M-6	Douglas Rd Vault Power & SCADA Upgrades	163	130,000	-	-	-	-	130,000
RW-M-7	D Station Reliability Upgrades	-	-	250,000	-	-	-	250,000
RW-M-10	Intake / High Head Pump Re-build (Annual Maint Pro	5,600	125,000	125,000	125,000	125,000	125,000	625,000
RW-M-13	Demolish BP Intake	162	125,000	-	-	-	-	125,000
E-M-1	Transmission Line Vegetation Management	51,567	25,000	25,000	25,000	25,000	25,000	125,000
E-M-3	Substation Maintenance	170,000	225,000	225,000	225,000	225,000	225,000	1,125,000
E-M-4	Aerial inspection of line and substations	107,931	40,000	40,000	40,000	40,000	120,000	280,000
	Smaller Extraordinary Maintenance	21,000	45,000	-	-	-	-	45,000
	Sub-Total (M) Maintenance Projects	\$ 566,189	\$ 870,000	\$ 830,000	\$ 580,000	\$ 590,000	\$ 670,000	\$ 3,540,000

Debt

Bond	Issue Amt	Outstanding	Rate	Purpose
2012	\$ 5,980,000	\$ 410,000	2.70%	Refunded 2004 bonds, telecom, work on substation, intake, SCADA
2013	\$ 6,025,000	\$ 3,345,000	2.66%	Finish Plant 2 remodel
2016	\$ 1,457,628	\$ 583,050	2.09%	Refunded 2007 bonds, Grandview line extension (LUD)
EDI	\$ 800,000	\$ 652,477	1.00%	Connection between Industrial Water and Grandview Fire
2021	\$ 14,800,000	\$ 11,560,000	1.45%	Refunded 2010B, Refinery and Ferndale Substations
2025	\$ 13,000,000			Water Treatment Plant 1 Rebuild
2027	\$ 70,500,000			Water Treatment Plant 1 Rebuild
TOTAL	\$ 112,562,628	\$ 16,550,527		

Section 4

\$ 393,708,670

Per RCW 54.24.018, Current non-voted Debt Capacity (.75% of assessed)

Reserves

		Projected 2024				Current	Change
		Industrial Water	Grandview	Electric	Total		
Operating	60 days Operating Expenses (excludes Extraordinary maintenance, Power Pass-thru, Grants, Business Develop)	\$ 1,034,000	\$ 54,000	\$ 337,000	\$ 1,425,000	\$ 1,171,600	\$ 253,400
Capital	1.5% of Capital Assets	\$ 747,000	\$ 55,000	\$ 309,000	\$ 1,111,000	\$ 962,800	\$ 148,200
Emergency	Emergency	\$ 214,000	\$ 17,000	\$ 129,000	\$ 360,000	\$ 355,000	\$ 5,000
Additional	Retirement Cash-outs	\$ 61,500	\$ 2,500	\$ 23,500	\$ 87,500	\$ 87,500	\$ -
	Invoice float			\$ 100,000	\$ 100,000	\$ 200,000	\$ (100,000)
	Customer Reduction	\$ 200,000			\$ 200,000	\$ 200,000	\$ -
					\$ 3,283,500	\$ 2,976,900	\$ 306,600

- Insurance Deductible \$250.00
- Rough estimate: Replace 3 electric transmission structures: \$70,000
- Rough estimate: Line break in Industrial Water: \$350,000

Strategic Plan Action Items

	BUDGET TOTAL	FUNDING SOURCE		BUDGET TOTAL	FUNDING SOURCE
CS CUSTOMER SERVICE: Maintain a high level degree of customer service to the local industries that rely on PUD power and water.			CL CLEAN INDUSTRY: Advance 'clean' industry in Whatcom County		
Employee Enrichment	\$ 2,000	A			
WR WATER RESOURCES: Continue the PUD's support and assistance in regional efforts to protect and manage local water resources.			WA WATER ASSOCIATION SUPPORT: Re-affirm the PUD's commitment to provide technical support to water associations.		
Adjudication	\$ 550,000	A	Water Systems Service/Tech Support	\$ 16,000	A
Water Habitat Restoration (NSEA)	\$ 20,000	A	Feasibility Studies for two small water associations	\$ 65,000	B
Watershed Management Support (Peterson)	\$ 10,000	A	Working with Whatcom County on Water Association	\$ 2,000	A
Whatcom County Comp Plan	\$ 20,000	A	Water System Consolidation	\$ 10,000	B
			Aldegrrove Consolidation	\$ 10,000	B
RE CLEAN AND RENEWABLE ENERGY: Define the PUD's role in advancing clean and renewable, local energy.			CO COMMUNITY OUTREACH: Refresh the PUD's community, governmental, industry, and internal facing identity.		
Geothermal	\$ 25,000	A	Social Media	\$ 5,000	A
Geothermal	\$ 75,000	B	Public Records Requests	\$ 2,000	A
WS WATER SUPPLY: Undertake a pilot project with Ecology funding and other partners, to demonstrate the feasibility of providing water supply to those in need.			CA COMMUNITY IMPACT ANALYSIS: Determine the economic impact of the PUD on the Whatcom economy.		
			AM ASSET MANAGEMENT: Build asset management culture to ensure sustainable replacement of key physical assets and personnel succession plan.		
BB BROADBAND: Advance the community wide strategy in making broadband available to underserved areas of Whatcom county			Cybersecurity	\$ 62,643	B
Broadband Technician and Expenses	\$ 201,600	A			
Pt Roberts Fiber project	\$ 2,396,000	B			
A - PUD RATE REVENUE	\$ 853,600		B - GRANTS	\$ 2,818,643	

Preliminary Rates

- Large Capital projects
- Share of telecom costs
- Adjudication

INDUSTRIAL WATER

Retail Unit Costs	2023	2024 Draft	% Change
Cherry Point			
Fixed Capital Charge	\$10,488.13	\$11,000.00	4.9%
Fixed Operating Charge	\$17,124.57	\$21,000.00	22.6%
Fixed Fire Charge	\$1,124.78	\$1,200.00	6.7%
Fixed Potable Charge	\$75.00	\$90.75	21.0%
Cherry Point Consumption Rate (mg)	\$435.03	\$513.32	18.0%
Irrigation (separate increase)			
Fixed Charge	\$633.57	\$655.25	5.0%
Consumption Charge (mg)	\$1,431.02	\$1,502.57	5.0%
Temporary (separate increase)			
Fixed Charge	\$300.00	\$315.00	5.0%
Consumption Charge (mg)	\$3,150.00	\$3,307.50	5.0%
Projected Sales	\$ 10,365,039	\$ 11,806,372	13.9%

GRANDVIEW

Retail Unit Costs (Monthly)	2023	2024 Draft	% Change
Fixed Potable Meter per MIE	\$76.00	\$110.00	41.0%
Fixed Fire Charge	\$156.00	\$205.00	31.4%
Potable Usage Charge (ccf)	\$14.33	\$22.04	53.8%
Nonpotable Usage Charge (ccf)	\$9.00	\$15.00	66.7%
Projected Sales	\$ 248,066	\$ 337,370	36.0%

- Loss of large customer
- Potential land purchase
- Admin Labor allocation

ELECTRIC

Sale	2023	2024	% Change
Pass-Thru Charges	\$ 7,524,044	\$ 8,301,898	10.3%
General Service	2,358,936	2,490,756	5.6%
Projected Sales	9,882,980	10,792,654	9.2%

- No large CWIP projects currently
- Increase mainly on water side

What's Next

November 7th @ 10:00 am - Industrial Water customer meeting

November 8th @ 10:00 am - Grandview customer meeting

November 28st - Second presentation and public hearing

December 12th - Final 2024 budget and rates approved