

MINUTES OF THE REGULAR MEETING OF THE COMMISSION
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

March 10, 2009

The regular meeting of the Commission of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, on March 10, 2009.

The meeting was called to order at 4:33 PM. Those Commissioners in attendance were: Jim Cook, President; Robbie Robertson, Vice President; and Al Littlefield, Secretary. Also in attendance were: Dave Johnson, General Manager; Greg Peterka, Engineering Manager; Mark Fredlund, Treasurer; Harry Meyer, Special Project Coordinator; Christine Blake, Auditor; Kevin Tate, Community Relations Manager; Mike Benton, Engineering Technician; Peter Gilbert, Attorney; Mike Blanchette and Bob Powell, HDR Engineering; and Kim Carpenter, Recording Secretary.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for March 10, 2009:

- a. Approval of Minutes (03/03/09)
(Voucher Nos. 78799-78835 approved on March 3, 2009, were voided due to printer error and replaced with Voucher Nos. 78836-78872)
- b. Approval of Vouchers - No. 2269 - Voucher Nos. 78873-78935 (\$79,055.71) 3/10/09
- c. Project Acceptance – South 19th Street, Charlie Ash Extension (Mount Vernon)

The motion passed.

Under Old Business, Manager Johnson presented the Manager's Report which included the following items:

Skagit River Diversion Pump Station Project

Skagit River Diversion pumps were tested on Friday, March 6, at 9:00 AM. Four pumps, operating individually, pumped Skagit River water to Judy Reservoir; each pump operated for approximately 30 minutes. Pump 5 was not run due to turbidity. Commissioner Robertson asked about the volume of water pumped; Engineer Meyer replied 4250-500 GPM. Discussion ensued regarding pumping issues, accumulation of sediment and airburst requirements to avoid accumulation when pumps are not in use.

Water Treatment Plant Expansion Project

The contractor anticipates final injection of the vertical concrete walls will be completed this week. The contractor is installing underdrains in filter basins in preparation for filter media installation.

Emergency Response Activities - Status of Cultus Mountain Intakes

Emergency repair of the three Cultus intakes has been completed. The initial emergency repair budget was \$200,000. District labor, material, equipment and contractual fees amount to \$190,497. Manager Johnson stated that he is not sure all emergency costs are in as yet; Superintendent Heidt replied the numbers are very close.

Due to very cold weather conditions, flows are down:

Gilligan: 1300 GPM
Mundt: 100 GPM
Salmon: 50 GPM
Turner: 0 GPM

Projected Water Purchases from Anacortes

Treasurer Fredlund reported on the District's total water volume purchased from the City of Anacortes compared to its committed volume with the use of a table and graph and explained the cost impact to the District if its committed volumes are exceeded. He stated that the District raised its committed volume under the 2007 contract to avoid penalties, as the City's new formula for penalties was drastic. Commissioner Robertson stated that the District has not signed a contract for committed volume of 485 MG; Treasurer Fredlund replied correct; the District's committed volume is 405 MG, however, the City of Anacortes is charging the District as if it had a signed contract for 485 MG. Commissioner Littlefield asked why the District did not have a signed contract; Manager

Johnson replied that the City of Anacortes requested that the District sign an amendment to the 2007 Water Supply Agreement, which has not been done, and the District contacted the City by letter suggesting a change to the capital commitment methodology by utilizing a 3-year rolling average of the water consumption actually used. He stated by doing this the City could eliminate the penalties (in-city commercial rate for all water used above the committed volume) and the City refused to discuss the matter. Commissioner Cook asked about pumping water from the Skagit during the summer; Engineer Peterka replied that the river can run muddy during the summer and can be affected by the chocolate glacier, stating there is no way to predict if the water would be suitable to pump. Commissioner Littlefield asked if staff is still recommending purchasing water from the City of Anacortes through the end of March; Construction Superintendent Heidt replied yes, that is what WTP Superintendent Hamilton recommends.

Manager Johnson stated that the District is looking at the future impact to the Water Treatment Plant and cost of the Josh Wilson Road pipeline. He stated that preliminarily it may be far more cost effective to build the Josh Wilson Road pipeline to tie the BayView system to the Judy system now than to wait. He stated that he will share his summary of analysis regarding the difference between variable and fixed expenses over the 20 year term of the Anacortes Water Supply Agreement with the Commission when it is complete. Discussion ensued regarding the proposed pipeline and service to BayView, City of Oak Harbor and Anacortes, water right impacts and emergency wheeling of water.

Fire Hydrant Training Status Report

Construction Superintendent Heidt reported that Mount Erie Fire District has agreed to fire hydrant training, which will take place on March 23. He stated that the Burlington Fire Department has also agreed to training. Commissioner Robertson asked if there are three types of hydrants and if training will be offered for all; Superintendent Heidt replied training will be offered for compression and scissor type hydrants.

Business Collateral

Community Relations Manager Tate reported that Lithtex NW will be handling the printing of the District's business collateral. New business cards are being printed this week. Lithtex NW provides the efficiency of an online ordering and proofing system, which will also help in maintaining quality control and consistency of design. Lithtex will also be able to warehouse our materials at no cost, which reduces the congestion related safety issues in our back hallway and warehouse areas.

Human Rights Festival

Community Relations Manager Tate reported District staff including Operations Manager Spangler, Environmental Services Coordinator Brower and Community Relations Manager Tate, will be taking part in the 6th Annual Human Rights Festival starting at 7 PM. on Thursday, March 12, at the Lincoln Theatre. The Festival is presenting the documentary film FLOW: For Love of Water. Following the film screening, District staff will participate in a panel discussion and take audience questions about the issues raised in the film and what people can do locally to protect our resources.

Under New Business, Manager Johnson stated that HDR Engineering, the District's consultant for the Judy Reservoir - Mount Vernon Transmission Pipeline Project - Phase I and Kulshan Force Main Project, are present to address concerns raised by the Commission last week regarding the plans and specifications for the project. Mike Blanchette stated that their business is bid documents and internally they have a structured program for Quality Assurance/Quality Control and all documents receive QA/QC review suitable to the level developed, such as 30%, 60% or 90%. He stated that the review is performed by a senior level specialist either inside or outside of the office and the reviewer is not associated with the project. He stated plans are developed by experienced designers. He stated that a well above average effort has been extended in the review process and although they cannot guarantee that they are perfect, they have assessed the likely risks and have tried to mitigate or minimize risks within a reasonable budget. Mr. Blanchette stated that value engineering was discussed at the last Commission meeting and if used it should be done at the 30% level, as it is costly to go back if you are already at the 90% level. Commissioner Robertson thanked Mr. Blanchette and Powell for coming.

Commissioner Robertson expressed concern that during these economic times more contractors may bid the project and he feels it is important for a design engineer to be present during the bid opening and asked if that is part of this contract; Mr. Blanchette replied that they can participate, but would need to know to what level. He stated that this is a more complicated project than a typical pipeline, as there are coordination issues with the City, timing issues, permits and summer work. He stated that the successful bidder will need to have specific experience and manpower for the job and HDR worked with District staff to include qualification requirements within the bid documents, and how high to set the bar for those requirements, which may eliminate some contractors. Commissioner Robertson asked about elimination of ambiguity in plans and specifications to eliminate problems with a contractor; Mr. Blanchette replied that contractors can be extremely creative, but how the contract and project are managed contributes a great deal to the success of the project.

Commissioner Littlefield asked about unforeseen change orders with large projects and would like to see change orders mediated with the District, contractor and design engineer and asked if it can be contracted that way; Mr. Blanchette replied that it is easy to specify things in a contract, but in civil works, especially underground, unless you want to pay for extraordinary amounts of diagnostics, there will always be a level of uncertainty. He stated that the bid documents give as much information as possible and put the risk on the contractor to make his or her own assumptions to bid. Discussion ensued regarding various aspects of the bid documents including stream crossings, potential for changed conditions, trenching over streams, open cuts and cover, identification of wetlands, and revealed borings.

Manager Johnson asked if Mr. Powell could explain his and Mike Blanchette's rolls; Mr. Powell replied that Mike is the project manager and will be the manager through completion of the project, a roll originally assigned to Dan Olson. Mr. Powell stated that his roll is that of managing principal, principal in charge of the project, and has been asked to step in as Dan Olson has moved on to another position. He stated he could come once a month and meet with Engineer Peterka, at HDR's cost, rather than have Mike make the trip from Bellevue. The Commission thanked Mr. Blanchette and Mr. Powell for coming.

Under New Business, Manager Johnson presented Resolution No. 2153-09 (*presented out of sequence*), A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, APPROVING BIDDING DOCUMENTS FOR CONSTRUCTION OF THE JUDY RESERVOIR - MOUNT VERNON TRANSMISSION PIPELINE PROJECT - PHASE I AND KULSHAN FORCE MAIN PROJECT CONSISTING OF APPROXIMATELY 1.5 MILES OF 36-INCH DIAMETER WATER TRANSMISSION PIPELINE, CONNECTING TO THE DISTRICT'S EXISTING 24-INCH DIAMETER TRANSMISSION PIPELINE AT EACH END AT NORTH LAVENTURE TO THE WEST AND COLLEGE WAY TO THE EAST. THE WORK WILL INCLUDE THREE CREEK CROSSINGS, FOUR ROAD CROSSINGS AND CONSTRUCTION THROUGH WETLAND AND LANDSCAPED AREAS THAT REQUIRE SPECIFIC PLANTING RESTORATION, AND AUTHORIZING THE GENERAL MANAGER TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT. Commissioner Robertson moved to adopt Resolution No. 2153-09 as presented. The motion passed.

Under New Business, Manager Johnson stated that CH2M Hill made a presentation to the Commission last week regarding nearing their budget limit for providing services assisting with management of the Water Treatment Plant Expansion Project and requested a contract amendment to expand the budget to be able to continue their services until the project is completed. Manager Johnson requested approval and authorization to sign Contract Amendment for Work Order FC to the Judy Reservoir Water Treatment Plant Expansion Project in the amount of \$137,958. Commissioner Robertson asked if Task 11 is a new amendment to the Washington Administrative Code (WAC) or has it been required all along and if it was required by WAC why was it not included in the original document; Manager Johnson replied he did not have an answer. Attorney Gilbert replied he would need to review the WAC. Manager Johnson stated they would get an answer. Commissioner Littlefield moved to approve Contract Amendment for Work Order FC to the Judy Reservoir Water Treatment Plant Expansion Project in the amount

of \$137,958 subject to clarification of WAC 246-290-654(5) and if said WAC was in place prior to development of the original document, Manager Johnson will defer signing said amendment until such time as CH2M Hill can return and explain Task 11 at their expense. The motion passed.

Under New Business, Manager Johnson presented Resolution No. 2152-09, A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, AWARDED THE PURCHASE OF LOW MOLECULAR WEIGHT LIQUID CATIONIC POLYMER TO POLYDYNE, INC., IN THE APPROXIMATE AMOUNT OF \$32,832.00 PLUS SALES TAX PER SHIPMENT FOR ONE OR MORE SHIPMENTS OF APPROXIMATELY 45,000 POUNDS AND AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PURCHASE AGREEMENT. Manager Johnson reviewed the proposed resolution and recommended adoption. Commissioner Robertson moved to adopt Resolution No. 2152-09 as presented. The motion passed.

Under New Business, Manager Johnson stated that he has requested that Engineer Meyer put together a project schedule for finalizing the assessments for Marblemount LUD No. 28. He stated that the total amount to be assessed within Marblemount LUD No. 28 will be \$289,462.14, based on participation by the District in the amount of \$111,752.86. Engineer Meyer stated that the target date for the final assessment hearing is May 5. Commissioner Littlefield asked if that is a Tuesday and would the hearing be in Marblemount; Engineer Meyer replied yes it is a Tuesday and where the hearing is held would be the Commission's decision. Commissioner Littlefield stated that it is easier for the Commission and a few staff members to travel to Marblemount than for all the participants to travel to Mount Vernon. Commissioner Littlefield asked what the original estimate was for the project; Engineer Meyer replied \$224,000 was the original estimate. Commissioner Littlefield asked how the cost increase will affect property owners; Engineer Meyer replied assessments will go up. Manager Johnson stated that he wanted to make sure the Commission is on board with District participation. Discussion ensued regarding the proposed hearing date, hearing location, and whether or not to have a Commission meeting if the hearing is scheduled on a Tuesday.

Under Miscellaneous, Manager Johnson stated that the District has a vactor truck in the 2009 Budget and staff has been looking at the availability of both new and used equipment. He stated that given the current market conditions staff has found used equipment on the market, including a 2008 vactor truck with 5,000 miles at a cost of \$271,000 that appears to meet or exceed the District's specifications. Manager Johnson stated that equipment in this price range requires sealed bids. Auditor Blake stated that she conducted some research and believes that used equipment can be classified as a sole source purchase and she will contact the State Auditor's office to confirm. Manager Johnson asked if a resolution would be needed to make such a purchase; Auditor Blake replied yes, that the resolution can identify the sole source and authorize the purchase. Discussion ensued regarding contacting the vendor to hold the equipment until the District has an answer regarding sole source purchase. Commissioner Littlefield stated he has received five phone calls asking why the District would be interested in purchasing equipment costing \$300,000 during these economic times. Superintendent Heidt stated that the vactor truck is an unbelievable tool that saves both time and equipment and avoids the need for locates during major breaks and leaks, as there is no digging. He stated the vactor truck could result in savings of over \$100,000 a year. Attorney Gilbert stated that the purchase can be justified if the District can in fact save \$100,000 per year. Manager Johnson stated that the equipment being considered is a vactor/excavator with 12 yard capacity.

Under Commissioner Comments, Commissioner Littlefield stated that CR Manager Tate is having trouble finding volunteers for participation at the Skagit/Island Counties Builders Association (SICBA) Home Show at the Skagit County Fairgrounds on March 20-22. He stated that if an employee volunteers for a 2-hour shift on Saturday or Sunday, they should get two hours off on a regular working day to make up for time spent on a day off. Commissioner Littlefield stated that he does not mind volunteering as part of his duties as an elected official, but believes employees should not have to give up their days off to volunteer without compensation. Commissioner Cook stated he did not disagree with providing equal time off for volunteers. Commissioner Robertson stated that it is a

two-way street and he had mixed feelings as policies the Commission sets forth provide a good working environment, more than fair wage, good benefits and a budget that did not require lay-offs like other agencies and is disappointed that there are not enough volunteers. Manager Johnson stated he would like to discuss the issue with CR Manager Tate and that they have the flexibility to manage this issue without requiring policy be set by the Commission.

Under Commissioner Comments, Commissioner Cook stated that he may need a substitute for attendance at the Skagit Council of Governments (SCOG) meeting on March 18 at 2:30. Manager Johnson recommended that CR Manager Tate attend, as he has requested that he prepare the presentation to the SCOG Board requested by Commissioner Cook. He stated that the presentation will be in the form of a slide show that takes the dam raises, Skagit River Diversion Pipeline and Pump Station Project and Water Treatment Plant Expansion Project from start to finish.

Under Commissioner Comments, Commissioner Robertson requested that Engineer Peterka give a brief summary of his attendance at the Water Resource Advisory Committee (WRAC) meeting. He stated that the Committee was glad that the District participated in attending the meeting and that the District's continued participation was highly recommended. Engineer Peterka stated that he gave an update regarding the District's water system plan to the Committee. Manager Johnson stated that the instream flow rule they also agreed to the creation of the WRAC for two years and that term expires in June of this year.

At this time, President Cook recessed the regular meeting to go into executive session to discuss potential litigation regarding the Water Treatment Plant Expansion Project for an approximate duration of 30 minutes. The meeting was recessed at 6:18 PM.

President Cook convened the executive session at 6:24 PM.

President Cook reconvened the regular meeting of the Commission at 6:54 PM.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of March 10, 2009 was adjourned at 6:55 PM.

ATTEST

Jim Cook, President

Al Littlefield, Secretary

Robbie Robertson, Vice President