

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

January 5, 2010

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 January 5, 2010.

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; Christine Blake, Auditor; Brad Spangler, Operations Manager; Harry Meyer, Special Project Coordinator; Kevin Tate, Community Relations Manager; Jamie Klunder, Human Resources Generalist; Doug McConnell, Contract Administrator; Bobbie Olin, Customer Service Supervisor; Nick Johnson, Jordan Cook; and Kim Carpenter, Recording Secretary.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for January 5, 2010:

- a. Approval of Minutes – Commission Meeting 12/22/09
- b. Approval of Vouchers - No. 2318 – Voucher Nos. 81008-81043 (\$70,817.42) 1/5/10
- c. Project Acceptance
North Oak Street; Landed Gentry Plat (Burlington)
Sharon Avenue, Quinns Court Phase I (Burlington)
Knudson Road, Hollomen Group (Burlington)

The motion passed.

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

Skagit River Diversion

As a follow-up to the last Commission meeting, the District's temporary service agreement with PSE allows the District temporary electric service for an indefinite duration to run the pumps. Systems Interface and District Operations staff reviewed the controls at the pump station on Monday, January 4 and have validated that the control system works as intended, which should allow the District to start pumping on a limited basis in the near future. Commission Cook requested that demand charge be explained; Operations Manager Spangler replied that demand charge is applied to peak use during the month, regardless of whether you use it for the entire month or not. Manager Johnson illustrated and explained base charges, demand charges and consumptive charges. Discussion ensued regarding development of a power plan, mitigation of instream flow requirements, optimum operation of Judy Reservoir elevations, and development of operational curves based on elevation histories before and after the dam raise in order to maximize levels for the best health of the reservoir. Manager Johnson stated that staff is looking at how to meet the obligation of the 1996 Memorandum of Agreement (MOA), mitigate instream flow requirements and effectively maintain a healthy reservoir.

Watershed Partnership

District Operations and Engineering staff are tentatively planning a meeting in early February to follow-up on our need for proactive management of the Cultus Mountain stream watersheds. The tentative list of partners includes the District, Washington State Departments of Fish and Wildlife and Natural Resources, Longview Fiber and Skagit Systems Cooperative. The initial meeting is intended to discuss the situation that the District faces and gather input on the partners' needs to arrive at a consensus for managing the streams and preventing damage to habitat and the District's intakes. Commissioner Robertson recommended adding Skagit County to the partnership.

Mailer/Inserter Machine

Customer Service has ordered a new Hasler M8600 mailer/inserter machine to replace the existing Pitney Bowes inserter. Delivery date will take 6-8 weeks. We are in the process of trying to secure an interim system from Nexxpost until the new inserter arrives. Between the existing inserter machine and a borrowed Hasler system, Customer Service will attempt to insert notification of Miscellaneous Charge increases into customer statements this month. Manager Johnson stated that the new equipment will allow

insertion of the District's bimonthly newsletter resulting in savings of postage. Commissioner Robertson stated that there is an article circulating regarding municipals accepting advertising to generate revenue and asked if the District could do that; Attorney Gilbert replied he could check on the legality if directed.

Under New Business, Manager Johnson presented Resolution No. 2167-10, A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO 1 OF SKAGIT COUNTY, WASHINGTON, ESTABLISHING PROCEDURES RELATING TO PURCHASING, PUBLIC WORKS CONTRACTING, AND PROCUREMENT OF ARCHITECTURAL AND ENGINEERING SERVICES; ESTABLISHING A VENDOR LIST PROCESS FOR THE PURCHASING OF SUPPLIES, MATERIALS AND EQUIPMENT, AND A SMALL WORKS ROSTER PROCESS TO AWARD PUBLIC WORKS CONTRACTS. Manager Johnson reviewed the proposed resolution stating that the proposed revisions follow the 2007 changes to the Revised Code of Washington (RCW) regarding contract bid limits and material purchases. Discussion ensued regarding various aspects of the proposed resolution including changes proposed by Commissioner Cook to Sections 1.4, 2.2, 2.2.6 and 2.2.7; the District's vendor list, Small Works Roster and application process. Manager Johnson stated that staff is planning to post the Small Works Roster and application information on the website and asked Commissioner Cook if this information was available to him via the website if his proposed revisions could be stricken; Commissioner Cook replied yes, if he was able to access the information on the website. Commissioner Littlefield asked if there were any changes regarding determining the lowest bidder addressed under item 2.2.5; Auditor Blake replied no. Commissioner Littlefield moved to adopt Resolution No. 2167-10 as presented. The motion passed.

At this time, Manager Johnson stated that he had received a call from Larry Wasserman, Skagit Systems Cooperative, regarding a new section being proposed to RCW Chapter 90.03 relating to exempting certain diversions of surface waters for agricultural purposes from the permit process. He stated that Mr. Wasserman was concerned that the District had proposed the bill. Commissioner Robertson stated that the legislation was drafted by Senator Mary Margaret Haugen under consultation with the Western Washington Agriculture Association. Discussion ensued regarding various aspects of the proposed legislation.

Under New Business, Engineer Peterka presented information regarding potential Local Utility Districts (LUD's) for discussion. Engineer Peterka reviewed four potential LUD's about which the District has been contacted:

1. Big Rock area (Baker Heights Road). Engineer Peterka stated that the property owners have been given a cost estimate and decided it was cost prohibitive and declined to further pursue an LUD.
2. Del Mar area (Anacortes). Engineer Peterka stated one property owner in an area of approximately 350 homes has contacted the District and indicated that the City of Anacortes turned down their request to assume ownership of their water system.
3. Burkland Road area. Engineer Peterka stated that the area is served by a spring fed system which is beginning to fail. He stated that the District provided a cost estimate; however, there has been no response.
4. Whatcom County. Engineer Peterka stated that a property owner near Lake Samish has requested information regarding service from the District's pipeline from the Alger/Lake Samish LUD. Engineer Peterka stated that the property owner had some grant information; however, it would appear that the property owners in that area would most likely exceed the income level to qualify for grant funding. He stated that the project would entail a waterline extension into Whatcom County and he informed the property owner that they would need to get authorization from Whatcom PUD and the Samish Water District before the District could provide service. Commissioner Littlefield stated that the Commission has previously denied service to a property owner in Whatcom County. The Commission indicated they would not be interested in transporting water to Whatcom County with no benefit to the District. Discussion ensued

regarding wholesaling water to Samish Water District and the potential benefit to the District with application of a surcharge for water service and setting a precedent serving water outside of Skagit County.

Under Commissioner Comments, Commissioner Littlefield asked about Mr. Rettinghouse's request to appear before the Commission; Manager Johnson replied that the item was pulled from today's agenda.

Under Commissioner Comments, Commissioner Robertson stated that the legislative session begins tomorrow. He stated he will be attending WA PUD Association meetings January 13-15 in Olympia and that WPUA has been granted a two hour meeting with Governor Gregoire on January 19 from 9:00-11:00 AM. He stated that he and other WPUA officers would be attending the meeting with the Governor and her Chief of Staff, Jay Manning. Commissioner Robertson stated that they will not be addressing specific bills, but requested that Manager Johnson put together a list of win/loss issues to discuss.

At this time, the Executive Session scheduled to discuss potential litigation regarding Water Treatment Plant Expansion Project Lien Release was cancelled.

Under New Business, Manager Johnson presented Change Order No. 8 to the Water Treatment Plant Expansion Project with Hawk Mechanical Contractors, Inc. Manager Johnson reviewed the proposed change order for an extension of 80 calendar days after substantial completion is granted predicated on the withdrawal of the Systems Interface, Inc., project lien dated August 19, 2009. Commissioner Robertson stated that counsel has satisfied his concerns expressed at the meeting of December 22 regarding lien release and indemnification. Attorney Gilbert stated that the District has an unequivocal email stating that the lien will be released upon payment. Manager Johnson stated that Voucher No. 80936 to Hawk Mechanical was pulled on December 22 and recommended any motion approving the change order include authorization to release payment of said voucher. Commissioner Littlefield moved to approve Change Order No. 8 to the Water Treatment Plant Expansion Project with Hawk Mechanical Contractors, Inc. and to authorize release of payment of Voucher No. 80936. The motion passed.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of January 5, 2010 was adjourned at 6:32 PM.

ATTEST

Jim Cook, President

Al Littlefield, Secretary

Robbie Robertson, Vice President