COWLITZ PUD BOARD OF COMMISSIONERS MEETING AGENDA
August 13, 2019

Board of Commissioners: Duane Dalgleish, Dena Diamond-Ott, Dave Quinn

The Cowlitz PUD Board of Commissioners meets on the 2nd and 4th Tuesday of every month in the John Searing Auditorium located at the PUD's main office which is located at 961, 12 Avenue, Longview, WA 98632. Unless otherwise posted, the meetings start at 2 p.m. If you have any questions regarding the status or content of these meetings, or, if you require a reasonable accommodation while in attendance at the Cowlitz PUD Board Meeting, please call Barbara Taylor (360-501-9575) at least 72-hours prior to the meeting so that your needs can be addressed.

1. Call to Order: 2:00 p.m.

2. Any Changes to Today’s Agenda?

3. Motion to Approve Today’s Board Agenda (Tab 1)

4. Motion to Approve the Regular Board Meeting Minutes of July 23, 2019 and the Special Board Meeting Minutes of August 6, 2019 (Tab 2)

5. Motion to Ratify & Approve the Vouchers/Payroll: Heather Sorensen

6. New Employee Introduction
   6.1 Mike Larsen to Introduce New Senior Engineer, Marc Graff

7. Public Comment on Non-Agenda Items
8. General Manager Report: Gary Huhta

8.1 Community Events/Legislative Calendar (Tab 3)

9. Action Items & Comments from the Public

9.1 Motion to Approve RESOLUTION NO. 2757: A RESOLUTION of the Board of Commissioners for Public Utility District No. 1 of Cowlitz County, Washington, authorizing the purchase of real property adjacent to the Baker’s Corner Substation: Doug Thomas (Tab 4)

10. Staff Reports and Presentations

10.1 BPA Update: Deanna Carlson (Tab 5)

10.2 Informational: Property Insurance Presentation/Information on Renewal: Heather Sorensen

11. Commissioner Reports & Upcoming Events

12. Final Comments: From the Public, General Manager, Commissioners

13. Confirmation of Next Meeting: Tuesday, August 27, 2019 – 2:00 p.m. in the PUD Board Room

14. Executive Session: If Needed, the Presiding Officer will follow the Executive Session Procedure included with this agenda

15. Commissioners to Execute Agreements Before Adjourning the Meeting

16. Motion to Adjourn the Meeting
Tentative Board Meeting Agenda Items for August 27, 2019

- July Operational Reports
- Approval of Property Insurance Renewal
- Staff Recommendation RE: NISC
COWLITZ PUD EXECUTIVE SESSION PROCEDURE

The Board may meet in Executive Session for any reason authorized under the Open Public Meetings Act, RCW 42.30.110 (1), using the following procedure:

1. Announce the Executive Session

   We will now adjourn into executive session pursuant to RCW 42.30.110 (1) for __________ minutes unless extended by the Presiding Officer. The purpose of the executive session is (choose one of the following):

   a. To consider matters affecting national security;
   b. To consider, if in compliance with any required data security breach disclosure under RCW 19.255.010 and 42.56.590, and with legal counsel available, 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, and other information that if made public may increase the risk to the confidentiality, integrity, or availability of agency security or to information technology infrastructure or assets;
   c. To consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price;
   d. To consider the minimum price at which real estate will be offered for sale or lease when public knowledge regarding such consideration would cause a likelihood of decreased price. However, final action selling or leasing public property shall be taken in a meeting open to the public;
   e. To review negotiations on the performance of publicly bid contracts when public knowledge regarding such consideration would cause a likelihood of increased costs;
   f. To receive and evaluate complaints or charges brought against a public officer or employee. However, upon the request of such officer or employee, a public hearing or a meeting open to the public shall be conducted upon such complaint or charge;
   g. To evaluate the qualifications of an applicant for public employment or to review the performance of a public employee. However, subject to RCW 42.30.140(4), discussion by a governing body of salaries, wages, and other conditions of employment to be generally applied within the agency shall occur in a meeting open to the public, and when a governing body elects to take final action hiring, setting the salary of an individual employee or class of employees, or discharging or disciplining an employee, that action shall be taken in a meeting open to the public;
   h. To discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency.

2. Return to Open Public Meeting

   a. Once the session concludes, the board will return to open meeting.
   b. If any action is taken it must take place in open meeting.
   c. Action may not take place earlier than the time for which the executive session was to conclude, including any extensions announced by the Presiding Officer.

Note: The foregoing is not a complete list of allowed purposes to hold an executive session under RCW 42.30.110 (1) but represents the most likely purposes for Cowlitz PUD.
PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON

MINUTES OF BOARD MEETING OF COMMISSIONERS
July 23, 2019
John Searing Auditorium

Present:

COMMISSIONERS:
Dave Quinn, President
Dena Diamond-Ott, Vice-President
Duane Dalgleish, Secretary

STAFF:
Deanna Carlson, Energy Policy Analyst
Alice Dietz, Communication & Public Relations Manager
Bob Essex, Interim Director of Power Management
Rick Hughes, General Counsel
Gary Huhta, General Manager
Ray Johnson, Director of Engineering & Technology
Casey Kalal, Director of Operations
Marisa Keeney, Manager of Employee Services
Stacie Pederson, Contracts Manager
Heather Sorensen, Director of Customer Service and Compliance
Barbara Taylor, Executive Assistant/Clerk of the Board
Steve Taylor, Director of Regulatory & Regional Affairs
Ty Trahanes, Operations Superintendent II

MEDIA:
Shawn Luhn, KLTV

PUBLIC:
Diane Dick
Bill Josh
Mike Kayser

1. CALL TO ORDER

Pursuant to published Notice, Commissioner Dave Quinn called the Regular Board meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington to order at 2:00 p.m.

2. ANY CHANGES TO TODAY'S BOARD AGENDA?

There were no changes to this meeting's agenda.

3. APPROVAL OF AGENDA

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the July 23, 2019 Board Agenda.

The MOTION CARRIED on a 3 to 0 margin.
4. APPROVAL OF BOARD MINUTES

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the Regular Board minutes of July 9, 2019.

The MOTION CARRIED on a 3 to 0 margin.

5. MOTION TO RATIFY AND APPROVE VOUCHERS/PAYROLL

Approval of Vouchers in the amount of $16,163,491.90. The Board reviewed expenditures of the District as required by RCW 42.24.080 and RCW 42.24.090 for which checks were issued on July 11, 2019 and July 18, 2019 under the provisions of Resolution No. 1421.

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<th>Fund</th>
<th>Check Nos.</th>
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<td>Accounts Payable</td>
<td>66154 to 66396</td>
<td>$15,787,341.11</td>
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<td>Payroll</td>
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MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the ratification of the vouchers/payroll as presented on July 23, 2019.

Heather Sorensen, Director of Customer Service and Compliance, provided a high-level overview of expenditures and answered questions.

The MOTION CARRIED on a 3 to 0 margin.

7. PUBLIC COMMENT ON NON-AGENDA ITEMS

Diane Dick spoke about the passing of Resolution No. 2756 at the July 9, 2019 PUD Board Meeting. Ms. Dick noted that it was implied that the lower Snake River dams were necessary to supply back up for electricity; she stated that she was surprised to find, in her research, that all of those four dams produced less generation than in previous years and suggested that it is important that we know where our resources are and how they are being dispatched.

Gary Huhta responded that we have been dealing with a low precipitation year across all hydro projects with lower than normal seasonal precipitation.

Bill Josh from Longview stated that he is a neighbor of the PUD’s Olive Way Substation and that the PUD has always been a good neighbor. He e-mailed the PUD about cleaning the concrete wall and it was taken care of right away. Bill noted that his family was thankful.

Mr. Josh pointed out that the federal government is responsible for taking down the dams, not the state government; he agreed that the PUD has it right to oppose dam removal and did not want to see Cowlitz PUD give in to extreme environmentalists.

8. GENERAL MANAGER REPORT

8.1 Calendar of Community/Legislative Events

Gary Huhta talked about a recent fire in Juniper Canyon that allegedly started in a wind turbine, noting that it did not involve either of the wind projects Cowlitz PUD has interest in.
Concerts at the Lake started on July 11, 2019 and will take place every Thursday evening through August 22, 2019.

Mr. Huhta reminded the Commissioners that Cowlitz PUD will be hosting a Community Barbecue on Friday, August 2, 2019 from 11:00 a.m. to 2:00 p.m. in the PUD parking lot.

9. ACTION ITEMS & COMMENTS FROM THE PUBLIC

9.1 Motion to Approve Staff Recommendation No. 19/7/23 RE: Transfer of Accounts to Reserve for Bad Debts – Q1 2018

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve Staff Recommendation No. 19/7/23.

Heather Sorensen, Director of Customer Service and Compliance, provided a bad debt write off presentation for the Commissioners and answered questions. A summary of the write-offs for the last five years was reviewed.

Ms. Sorensen requested to transfer 129 accounts totaling $44,086.29 to the Reserve for Bad Debts. The accounts presented were for terminated service and bankruptcies during the first quarter of 2018. Appropriate collection action for these accounts will be continued through the District’s collection company.

The MOTION CARRIED on a 3 to 0 margin.

9.2 Motion to Approve Staff Recommendation No. 20/7/23 RE: Award of Transmission and Distribution Contract Line Crew, Contract# UC1726

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve Staff Recommendation No. 20/7/23.

Ty Trahanes, Operations Superintendent II, reviewed Staff Recommendation No. 20/7/23 with the Commissioners noting that the existing Contract Line Crew agreement with Magnum Power is due to expire on August 15, 2019. The contract is very valuable to District operations in that the contract crews can supplement District line crews in the event that the work load increases in the coming year; the contract will provide the District with extra crews to restore power to our customers in the event of a storm or other large outage situation, and will also help with inspecting our pole-top facilities.

Five bids were received. Three of the five bids were found to be incomplete and were rejected. Magnum Power LLC and Wilson Construction Company submitted the two complete bids with Magnum Power’s bid being approximately 1.1% lower than the Wilson Construction Company.

Mr. Trahanes recommended to the Board that the contract be awarded to Magnum Power LLC for one year with the option to extend it annually for three additional years.

The MOTION CARRIED on a 3 to 0 margin.

10. STAFF REPORTS AND PRESENTATIONS

10.1 Risk Management Report
Heather Sorensen reviewed the tri-annual Risk Management Report with the Commissioners, which went over the following: Counterparty Credit, Wholesale Energy Risk Compliance, Public Record Requests, Law Enforcement Requests, Reliability Compliance, and a Claim Summary.

10.2 June Operational Reports

Operational reports for the month of June were provided in the areas of Power Management, a BPA update, Accounting and Finance, Operations, Engineering & Technology, Customer Service, Employee Services and Public Relations.

While discussing BPA’s cash reserve errors, Commissioner Diamond-Ott expressed concern regarding her lack of confidence in BPA noting that the District wants to provide reliable service to customers and know what it will cost.

Alice Dietz mentioned that she will need volunteers for this year’s National Night Out during the evening of Tuesday, August 6, 2019.

The 2019 Concerts at the Lake series have started. The District’s booth is located between the ReJ Canoe and the City of Longview Parks and Recreation booths near Martin’s Dock. Staff and Commissioners have been volunteering to hand out water, Frisbees, hats and bracelets. The water we are handing out is PUD branded and promotes clean hydro.

The next Electric Rates & Advisory Committee (ERAC) meeting has been scheduled for Wednesday, August 14, 2019, at 4:00 p.m. in the PUD Board Room.

11. COMMISSIONER REPORTS & UPCOMING EVENTS

Commissioner Diamond-Ott reported that she will be attending the following:
- The Chamber meeting on July 30th in either Kalama or Woodland, depending on their agendas
- Cowlitz PUD’s Community Barbecue on Friday, August 2, 2019
- Board Budget Workshop on Tuesday, August 6, 2019
- Kalama National Night Out on August 6, 2019

Commissioner Dalgleish noted that he will also be attending the PUD’s Community Barbecue on Friday, August 2, 2019.

Commissioner Dalgleish mentioned that he’s received a lot of good feedback regarding the Concerts at the Lake this year and he’s glad the PUD is participating.

12. FINAL COMMENTS: FROM THE PUBLIC, GENERAL MANAGER, COMMISSIONERS

Diane Dick asked Cowlitz PUD to look at where power resources were generated this past winter.

13. NEXT MEETING

The next Regular meeting of the PUD Board of Commissioners will be held on Tuesday, August 13, 2019 at 2:00 p.m. in the John Searing PUD Auditorium.

14. COMMISSIONERS TO EXECUTE AGREEMENTS BEFORE ADJOURNING THE MEETING

The Commissioners signed off on necessary paperwork.
15. EXECUTIVE SESSION

Commissioner Quinn stated that there will be an Executive Session during this meeting pursuant to ROW 42.30.110 (1) for 45 minutes unless extended by the Presiding Officer. The purpose of the Executive Session is to consider the selection of a site or the acquisition of real estate by lease or purchase and qualifies for Executive Session because public knowledge regarding such consideration may cause a likelihood of increased price.

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to adjourn into Executive Session at 3:45 p.m. in the PUD Board Room.

The MOTION CARRIED on a 3 to 0 margin.

Present during Executive Session:
David Quinn, Commissioner
Dena Diamond-Ott, Commissioner
Duane Dalgleish, Commissioner
Rick Hughes, General Counsel
Gary Huhta, General Manager
Ray Johnson, Director of Engineering & Technology
Doug Thomas, Senior Engineer

16. ADJOURNMENT

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to adjourn at 4:30 p.m.

The MOTION CARRIED on a 3 to 0 margin.

Attest: ____________________________ Secretary

______________________________
President

______________________________
Vice-President

Prepared by: Barbara A. Taylor
Executive Assistant/Clerk of the Board
1. CALL TO ORDER

Pursuant to published Notice, Commissioner Dave Quinn called the Special Board meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington to order at 1:30 p.m.

2. ANY CHANGES TO TODAY'S BOARD AGENDA?

There were no changes to this meeting's agenda.

3. APPROVAL OF AGENDA

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the August 6, 2019 Special Board Meeting Agenda.

The MOTION CARRIED on a 3 to 0 margin.
4. ACTION ITEM AND COMMENTS FROM THE PUBLIC

There were no comments from the public.

Bob Essex, the District’s Interim Director of Power Management, provided the Commissioners with a presentation on Wind Integration.

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve Staff Recommendation No. 21/8/6 granting temporary authorization to the Risk Management Committee to approve and enter into:

- Wind power and REC sale transactions with terms up to 2 years through 2021
- REC purchase transactions to backfill behind the sale of our wind RECs with terms up to 2 years

The MOTION CARRIED on a 3 to 0 margin.

5. BUDGET WORKSHOP

Gary Huhta thanked his Staff for all of their hard work on the budget.

The majority of this Special Board Meeting time was used for Staff to review the following information with the Commissioners:

- Goals and Financial Constraints
- Overall Preliminary 2020-2024 Budget
- Preliminary 2020-2024 Labor & Operating Expense Budgets by Business Unit
- Preliminary 2020-2024 Capital Budget
- District Debt

The focus of this presentation was based on budgeted costs and not cash reserves or rates; those topics will be addressed at the next Board Workshop on August 20, 2019.

6. NEXT MEETING

The next Special Board Meeting regarding the Budget Workshop of the PUD Board of Commissioners will be held on Tuesday, August 20, 2019 at 1:30 p.m. in the PUD Board Room.

7. ADJOURNMENT

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to adjourn this meeting at 5:00 p.m.
The MOTION CARRIED on a 3 to 0 margin.

Attest: ________________________________  Secretary

______________________________  President

______________________________  Vice-President

Prepared by: Barbara A. Taylor
Executive Assistant/Clerk of the Board
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<td>1:30pm Board Budget Workshop (PUD Auditorium or the PUD Board Room) - Barbara Taylor</td>
<td>8:30am Dave Quinn Attending the Castle Rock Chamber of Commerce</td>
<td>5:00pm FYI: Concert at the Lake (Warm Neighbor Fund) (Martin's Doc) - Barbara Taylor</td>
<td>11:00am FYI: Community BBQ in PUD Parking Lot</td>
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<td>2:00pm PUD Board Meeting (PUD Auditorium) - Barbara Taylor</td>
<td>4:00pm FYI: ERAC Meeting RE: Budget (PUD Board Room) - Barbara Taylor</td>
<td>5:00pm FYI: Concert at the Lake (Warm Neighbor Fund) (Martin's Doc) - Barbara Taylor</td>
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<td><strong>8:00am Labor Day - PUD is Closed</strong></td>
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<td><strong>12:00pm FYI: Eat for Heat (Warm Neighbor Fund) - Exact Time &amp; Location TBD</strong></td>
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<td><strong>2:00pm PUD Board Meeting (PUD Auditorium) - Barbara Taylor</strong></td>
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<td><strong>8:00am FYI: Day of Caring - Exact Time &amp; Locale TBD (Community Events/Legislative)</strong></td>
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<td><strong>8:30am Dave Quinn Attending the Castle Rock Chamber of Commerce Mtg. at the Castle Rock</strong></td>
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Community Events/Legislative
RESOLUTION NO. 2757

A RESOLUTION of the Board of Commissioners for Public Utility District No. 1 of Cowlitz County, Washington, authorizing the purchase of real property adjacent to the Baker’s Corner Substation.

WHEREAS, the District’s Baker’s Corner Substation was built on a small parcel of property and was rebuilt in 2012 to create a transmission loop for better electric system reliability; and

WHEREAS, in planning for future growth in the area, staff has determined that the Baker’s Corner Substation will require expansion within the next 15 years; and

WHEREAS, in 2009, in anticipation of the need for additional property for the eventual expansion of the substation, District staff informed the owner of the adjacent vacant parcel (Parcel 2 on the attached maps) of the District’s desire to purchase the property, and at that time, the owner was not interested in selling; and

WHEREAS, recently the owner indicated that it would sell Parcel 2 to the District; however, only if the District also purchased the adjoining parcel (Parcel 1 on the attached maps) that includes a house; and

WHEREAS, an appraisal was performed in June of 2019 by Cascadia Valuation, which valued the undeveloped parcel at $55,000 and the parcel including a house at $165,000, for a total of $220,000; and

WHEREAS, the owner of the property will agree to sell the two parcels for $295,000; and

WHEREAS, the owner has provided several comparable sales that were not available at the time of the aforementioned appraisal and potentially would increase the fair market value; and

WHEREAS, under current market conditions it is likely the fair market value will continue to increase, and

WHEREAS, although the District has condemnation authority, the cost of litigation would far exceed any delta between the appraisal and seller’s asking price, with no assurance of the purchase price; and

WHEREAS, the property in question would be a key acquisition, allowing for future expansion of the substation, that without the additional room to grow would be extremely costly and undermine the rebuild work that was completed in 2012 because instead of the economical expansion and adding onto the substation, it would be necessary to replace the existing facilities for more costly facilities with greater capacities; and

WHEREAS, the flexibility for future expansion of the Baker’s Corner Substation makes the adjacent property more valuable to the District than it would be to any other party; and
WHEREAS, District staff has negotiated the attached Real Estate Purchase and Sale Agreement that make purchase contingent upon the District performing studies and analyses confirming the suitability of the land for the District's needs;

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Cowlitz County, Washington, as follows:

1. The asking price of $295,000 for both parcels is acceptable based on the foregoing.

2. The Board authorizes the General Manager to execute the attached Real Estate Purchase and Sale Agreement and any other document required to finalize the purchase of the two parcels of property for not more than $295,000 in the aggregate.

3. The Board further directs the General Manager to assure that all contingencies are met prior to completing purchase of the parcels described in the Real Estate Purchase and Sale Agreement.

ADOPTED AND APPROVED by the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington, at a regular meeting on the 13th of August, 2019.

________________________________________
President

________________________________________
Vice President

ATTEST:

________________________________________
Secretary
Real Estate Purchase and Sale Agreement
(With Earnest Money Provision)

Longview, Washington, August 2, 2019

Received from PUD No. 1 of Cowlitz County, Washington, hereinafter called “purchaser,”

$______________________ Dollars ($______________________)

in the form of check for $3,000.00, due __________, 2019, paid or delivered as earnest money in part payment of the purchase price, contingent upon Cowlitz PUD Board approval, of the following described real estate in County of Cowlitz, State of Washington described as follows:

Parcel 1:
Tax 18-F of Section 14, Township 8 North, Range 3 West, of the Willamette Meridian, and tax 5-D of Section 23, Township 8 North, Range 3 West of the Willamette Meridian, described as follows: COMMENCING at the intersection of the Southwesterly right-of-way line of Ocean Beach Highway produced Northwesterly from the Plat Of Columbia Valley Gardens No. 3 on file at the office of the Auditor of Cowlitz County, Washington, with the Southeasterly right-of-way line of permanent Highway No. 11; thence South 39°41' West 109.00 feet along the Southeasterly right-of-way line of said permanent Highway No. 11 to the POINT OF BEGINNING; thence South 50°19' East 400.00 feet; thence South 39°41' West 109.00 feet; thence North 50°19' West 400.00 feet to a point on the Southeasterly right-of-way line of said Permanent Highway No. 11; thence North 39°41 East 109.00 feet along said Southeasterly right-of-way line of permanent Highway No. 11 to the POINT OF BEGINNING.

Parcel 2:
Tax 1-K and Tax 5 of Section 23, Township 8 North, Range 3 West described as follows: COMMENCING at the intersection of the Southwesterly right-of-way line of Ocean Beach Highway produced Northwesterly from the Plat Of Columbia Valley Gardens No. 3 on file at the office of the Auditor of Cowlitz County, Washington, with the Southeasterly right-of-way line of permanent Highway No. 11; thence South 39°41' West 218.00 feet along the Southeasterly right-of-way line of said permanent Highway No. 11 to the POINT OF BEGINNING; thence South 50°19' East 400.00 feet; thence South 39°41' West 218.00 feet; thence North 50°19' West 400.00 feet to the Southeasterly right-of-way line of said Permanent Highway No. 11; thence North 39°41' East 218.00 feet along said Southeasterly right-of-way line of Permanent Highway No. 11 to the POINT OF BEGINNING.

EXCEPTING that portion conveyed to Public Utility District No. 1 of Cowlitz County, Washington, by deed recorded under Auditor's File No. 441260, described as follows: That Portion of Section 23, Township 8 North, Range 3 West of the Willamette Meridian, described as follows: COMMENCING at the intersection of the Southwesterly right-of-way line of Ocean Beach Highway produced Northwesterly from the Plat Of Columbia Valley Gardens No. 3 on file at the office of the Auditor of Cowlitz County, Washington, with the Southeasterly right-of-way line of permanent Highway No. 11; thence South 39°41' West 286.00 feet along the Southeasterly right-of-way line of said permanent Highway No. 11 to the POINT OF BEGINNING; thence South 39°41' West 150.00 feet to the Southwesterly corner of Tax Lot 1K; thence South 50°19' West 200.00 feet; thence North 39°41' East 150.00 feet; thence North 50°19' West 200.00 feet to the POINT OF BEGINNING.

Parcels 1 and 2 contain approximately 2.31 acres. See attached Exhibits A and B.
Total Purchase Price Two Hundred and Ninety-five Thousand Dollars ($295,000), payable as follows:

1. Title of seller is to be free of encumbrances, or defects, except: None. 

   Rights reserved in federal patents or state deeds, building or use restrictions general to the district, and building or zoning regulations or provisions shall not be deemed encumbrances or defects.

   Encumbrances to be discharged by seller may be paid out of purchase money at date of closing.

2. Purchaser agrees to furnish and deliver to office of closing agent as soon as procurable a standard form policy of title insurance or report preliminary thereto issued by Cowlitz County Title Company, and seller authorizes purchaser to apply at once for such title insurance. The title policy to be issued shall contain no exceptions other than those provided for in said standard form plus encumbrances or defects noted in Paragraph 1 above. Delivery of such policy or title report to closing agent named herein shall constitute delivery to purchaser. If title is not so insurable as above provided and cannot be made so insurable by termination date set forth in Paragraph 7 herein, earnest money shall be refunded with any accrued interest, and all rights of purchase terminated; provided, however, that purchaser may waive defects at its sole and absolute discretion, and elect to purchase but only if the waiver is in writing and signed by purchaser. If title is so insurable and purchaser fails or refuses to complete purchase by the Closing Date, the earnest money shall be forfeited as liquidated damages as Seller's sole recourse against purchaser.

3. This agreement is for conveyance of fee title, and shall be conveyed by statutory warranty deed, free of encumbrances or defects except those noted in Paragraph 1.

4. Taxes and any special assessments for the current year are to be paid by the Sellers in full and not prorated. Rents, insurance, interest, mortgage reserves, water and other utilities constituting liens shall be prorated as of the date of closing. Seller shall pay the premium for the standard coverage portion of the premium for the Title Policy, all real estate excise taxes and the cost of any transfer taxes applicable to the sale and any brokerage commission. The escrow fee shall be borne equally by Seller and Buyer. Buyer shall pay the recording costs for the Deed, the extended coverage portion of the premium for the Title Policy, if any, any title endorsements requested by Buyer, and the costs of any survey.

5. Purchaser shall be entitled to possession on the date of closing. Seller will deliver on or before closing all keys, remote controllers, and anything else necessary to allow buyer entry onto property. Seller will clear both properties of all personal property, garbage, and any object or substance that may pose a danger to the health of occupants or cause the property value to be adversely affected. Subject to the foregoing, seller will leave the property in at least as good condition on the close of escrow as existed at the time of this agreement. Seller agrees to keep the properties free from materialmen’s, mechanics’ and construction liens and to indemnify, defend, protect, and hold buyer harmless from all such liens and all attorneys’ fees and costs incurred by reason thereof. Other than may be provided in this agreement, seller shall be completely responsible for any liability arising out of the properties up to, and including, closing of escrow.

6. Purchaser offers to purchase the property in its present condition, on the terms noted. This offer is made subject to approval of the seller by midnight of August 7, 2019. If seller does not accept this agreement within the time specified, the earnest money will be refunded upon demand, and Seller's offer will be considered withdrawn.

7. The sale shall be closed in the office of Cowlitz County Title Company within fifteen (15) days after title insurance policy or report preliminary thereto is delivered showing title insurable, as above provided, or after completion of financing, if financing is called for herein, whichever is later, but in any event not later than sixty (60) days from date of this Agreement, which shall be the termination date. The purchaser and seller will, on demand, deposit in escrow with the closing agent, all instruments and monies necessary to complete the purchase in accordance with this agreement.
8. There are no verbal or other agreements which modify or affect this agreement. Time is of the essence of this agreement. This agreement may not be modified except in writing and signed by both parties.

9. Purchase is to be contingent upon:

(A) The Purchaser and its assigns are granted permission to enter upon said real property for the purposes of surveying, concluding exploratory soil borings, soil analysis, and for other preliminary engineering necessary to determine the adequacy of the site for a substation. IT IS AGREED that in the event the engineering analysis of the site determines that the site is unsuitable for the construction of the proposed substation, the Purchaser shall have the right to terminate this agreement, and same net money shall be refunded along with any interest, and all rights of purchase terminated.

(B) Seller providing purchaser within 5 business days of both parties signing this agreement, a copy of any current rental and/or lease agreement that may be in effect, any written reports or documentation that may adversely affect property value including, but not limited to inspection reports of any kind, surveys, environmental reports, liens, complaints filed in any court or agency, permits, unrecorded encumbrances, competing offers to purchase, or anything else that would reasonably affect buyer’s decision to buy the properties.

(C) This offer is contingent upon the Purchaser conducting a detailed exploration and obtaining the results (satisfactory to the Purchaser’s needs) of Geotechnical Study ascertaining that the site is suitable for its needs. The Geotechnical Study shall be performed by the Purchaser at Purchaser’s expense prior to closing date.

(D) This offer is contingent upon the Purchaser conducting Environmental Site Assessments to the level necessary to ascertain and document that the site is free of environmental contaminants and is suitable for Purchaser’s needs. The Environmental Site Assessments shall be performed by the Purchaser at Purchaser’s expense prior to closing date.

(E) Any other inspection buyer deems necessary, at buyer’s expense, for buyer to determine in its sole discretion whether the properties subject to this agreement are suitable for buyer’s needs.

PUD NO. 1 OF COWLITZ COUNTY, WASHINGTON

Gary Huhta – General Manager

Purchaser’s Address: Cowlitz County PUD
P. O. Box 3007
961 12th Avenue
Longview, WA 98632

Telephone: 1-360-423-2210

The undersigned seller on this day of , 2019, hereby accepts and approves the above agreement and agrees to carry out all of the terms thereof.
LIVING TRUST OF J. WILLARD EDWARDS AND RUTH L. EDWARDS

Sherry L. Roberts - Trustee

Address
7745 Hansen Rd NE
Bainbridge WA 98110

Carol Lockman - Trustee

A true copy of the foregoing agreement, signed by the seller, is hereby received on this _______________ day of _______________, 2019.
The undersigned seller on this 5th day of August, 2019, hereby accepts and approves the above agreement and agrees to carry out all of the terms thereof.

LIVING TRUST OF J. WILLARD EDWARDS AND RUTH L. EDWARDS

Sherry L. Roberts-Trustee

Carol Lockman-Trustee

Address

2127 Willow Place

Address

A true copy of the foregoing agreement, signed by the seller, is hereby received on this 5th day of August, 2019.
1. Financial Reserves Review Results

- In the early 2000’s BPA developed a different accounting structure for splitting the business unit’s cash reserves. There is a lack of documentation that prevents supporting corrections going back through 2002.

- All 10 Modules were reviewed by finance, a BPA internal audit team and the external audit team of Baker Tilly.
  - Power Reserves held by Transmissions = $397.5M
  - Transmission Reserves held by Power = $238.8M
    $158.7M (Net)
    $ 23.8M (Interest)
  TOTAL $182.5M

- The interest rate will use the effective interest rate (i.e.: actual interest earned in the BPA Fund).
1. Financial Reserves Review Results

Total Principle = $158.7  
Total Interest = $23.8  
Total = $182.5
<table>
<thead>
<tr>
<th>Item/Issue</th>
<th>Priority</th>
<th>Status &amp; Timing</th>
<th>Strategic Approach/Next Steps:</th>
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<tbody>
<tr>
<td>Quarterly Business Review</td>
<td>HIGH</td>
<td>ACTIVE – Workshop – 11/5/19</td>
<td>Looking at the full 1.5% ($30 Million) to be collected starting in December. The results of the reserves levels announced on the 5th of November will ultimately determine the amount to be collected.</td>
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<td>$158.7M in principal and $23.8M in interest will be transferred from Transmission to Power reserves.</td>
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  • Go Live in Spring of 2022                                                                 |
| Net Benefit of $29 – $34M                                                 |          |                                  |                                                                                                 |
| TC-20 Implementation                                                      | MEDIUM   | ACTIVE – Workshop - 9/26/19      | BPA and customers are continuing to work through settlement topics. The Network Customer Group is tracking the details of each topic to ensure consistency with the agreement. |
| Northwest Power Pool (NWPP) Resource Adequacy Program                    | MEDIUM   | ACTIVE – Symposium - 10/2/19     | Regional Utilities have been examining the issue of Resource Adequacy. The accumulated historical data and key learnings will be presented on October 2nd. |
| Columbia River Treaty                                                    | LOW      | ACTIVE – Round #8 – 9/10 – 9/11/19 | The U.S. State Department and Canada began negotiations to modernize the Columbia River Treaty in May of 2018. Working with Columbia River Treaty Power Group on this process. |
| Last meeting between the U.S. Entities and Canadian Entities was June 19th – 20th |          |                                  |                                                                                                 |