PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 2/11/20
2. Approval of Minutes: 1/21/20 Commission Work Session, 1/21/20 Commission Special Meeting, and 1/28/20 Commission Meeting
3. Ratification of Vouchers 2/4/20
4. Voucher Approval 2/11/20

SKAGITNET UPDATE

AGRICULTURE IN SKAGIT COUNTY - Presentation

4th QUARTER FINANCIALS

AUDIENCE COMMENTS

OLD BUSINESS
5. Manager’s Report
6. Safety Department Report
7. Document Management Update - Discussion
8. Campus Feasibility Update - Action

NEW BUSINESS
9. Micro Hydro Memorandum of Understanding - Action

INFORMATION
10. Judy Reservoir Data Report

COMMISSIONER COMMENTS

EXECUTIVE SESSION - Approximately 20-30 Minute Duration
Litigation that the agency reasonably believes may be commenced by or against the agency, the governing body, or a member acting in an official capacity – Per RCW 42.30.110(1)(i)(ii)

ADJOURNMENT
Work Session 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.

Commissioners Present: Eron Berg, President; Al Littlefield, Vice President; and Joe Lindquist, Secretary.

Staff Present: George Sidhu, Mike Fox, Mark Handzlik, Bill Trueman, Courtney Shilling, Ed Heidt, Skagit PUD Attorney Peter Gilbert, and Deana Dean.

Other Parties Known to be Present: Judy Littlefield.

Commissioner Berg called the meeting to order at 3:00 p.m.

CROSS-CONNECTION CONTROL PROGRAM
Mark Handzlik opened the discussion on updates to the cross-connection control manual. Courtney Shilling reviewed the changes made based on discussions at the last work session which include the addition of backflow incidents specific to Skagit County, statutory requirements, clarification of auxiliary water supply definition, authorities having jurisdiction, agricultural rate customers, expanding on the survey schedule, testing, enforcement, and the appeal process.

Brief discussion was held on notices and enforcement. Commissioner Berg noted that it should be made clear there is no stay in disconnect if the disconnect is for health and safety reasons.

Mark and Bill discussed the incentive program and ways to assist the customer in meeting this requirement. Brief discussion followed. Commissioner Littlefield suggested a time limitation on reimbursement. Commissioner Berg suggested mailing a copy to the local building officials and giving them a deadline to provide feedback.

ADJOURNMENT
With no further business to come before the Board, the work session was adjourned at 3:43 p.m.

Respectfully submitted:

Deana Dean
Clerk of the Board
MINUTES OF THE REGULAR MEETING OF THE COMMISSION
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

January 21, 2020

The January 14, 2020 regular meeting of the Commission of Public Utility District No. 1 was cancelled and re-scheduled to January 21, 2020 due to inclement weather. The meeting was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington.

Commissioners Present: Eron Berg, President; Al Littlefield, Vice President; and Joe Lindquist, Secretary.

Staff Present: George Sidhu, Brian Henshaw, Mark Handzlik, Sam Shipp, Bill Trueman, Mike Demers, Jay Sedivy, Mike Fox, Sally Saxton, Mark Semrau, Kevin Tate, Luis Gonzalez, Skagit PUD Attorney Peter Gilbert, and Deana Dean.

Other Parties Present: Judy Littlefield, Les Walker, Mark Greenough, and Dale Ragan. Others may have been present but were not identified.

Commissioner Berg called the meeting to order at 4:30 p.m. and the Pledge of Allegiance followed.

CONSENT AGENDA
Commissioner Lindquist moved to approve the Consent Agenda for January 21, 2020 which was passed unanimously.

1. Approval of Agenda 1/21/20
2. Approval of Minutes: 12/10/19 Commission Meeting
3. Ratification of Vouchers:
   12/17/19 – No. 2899: Accounts Payable Voucher No. 17206 – 17268 ($338,302.85) and Electronic Funds Transfer ($168,157.73)
   12/17/19 – No. 2900: Accounts Payable Voucher No. 17269 ($25,159.99)
   12/24/19 – No. 2901: Accounts Payable Voucher No. 17270 – 17336 ($224,199.04), Electronic Funds Transfer ($249,788.75), and Payroll Electronic Funds Transfers and checks No. 029132 – 029215 ($183,160.72).
   12/31/19 – No. 2902: Accounts Payable Voucher No. 17337 – 17388 ($114,599.66) and Electronic Funds Transfer ($1,611.50).
   1/7/20 – No. 2903: Accounts Payable Voucher No. 17389 – 17422 ($260,237.28), Electronic Funds Transfer ($198,149.01), and Payroll Electronic Funds Transfers and checks No. 029216 – 029300 ($185,841.50).
   1/14/20 – No. 2904: Accounts Payable Voucher No. 17423-17471 ($396,437.71) and Electronic Funds Transfer ($112,499.01).
   1/14/20 – No. 2905: Accounts Payable Voucher No. 17472 ($2,647.66).
4. Voucher Approval:
   1/21/20 – No. 2906: Accounts Payable Voucher No. 17473 – 17529 ($575,091.70), Electronic Funds Transfer ($75,259.13), and Payroll Electronic Funds Transfers and check No. 029386 – 029470 ($187,229.82).

5. Safety Practice & Procedure #3007

6. Project Acceptance –
   - Alma Investments, LLC (Mount Vernon)
   - Deol Subdivision, Francis Road (Mount Vernon)
   - Five Friends, LLC (Mount Vernon)
   - McLean Road, Wall Street to Best Road, Phase II (Mount Vernon)

The following matters were taken out of order:

13. **Resolution 2272-20 Issuing Bonds**
    Finance Manager Brian Henshaw introduced and summarized the proposed bond resolution including the amount requested, the amount to be re-funded, interest rate, and noted the balance will be used for capital improvement projects.

    Commissioner Lindquist moved to approve and authorize Resolution No. 2272-20 providing for the issuance of water revenue bonds which passed unanimously.

14. **Foster Garvey Engagement Letter**
    Commissioner Berg introduced this agenda item - agreement for services provided by Counsel Greenough.

    Commissioner Littlefield moved and Commissioner Lindquist seconded the motion to authorize the General Manager to sign the engagement letter with Foster Garvey for Bond Counsel Services in the amount of $42,700.00 which passed unanimously.

**TREASURER’S REPORT – NOVEMBER 2019**
Finance Manager Brian Henshaw reviewed, by PowerPoint presentation, revenue and expenditures as of November 2019.

**AUDIENCE COMMENTS**
Dale Ragan, customer and resident of Mount Vernon, questioned whether the 8% increase in revenue was based on water rate increase or selling more water. Brief discussion followed.

**OLD BUSINESS**
7. **Manager’s Report**
   General Manager George Sidhu provided an update which included:
   - Managers and supervisors completed employee evaluations at the end of last year and will be giving comments to the employees soon.
   - The District is using Applicant Pro, the new job application software. Interviews were held for the Engineering Administrative Assistant last week and there is a current posting for Capital Projects Inspector. Anyone interested in applying for
open positions are directed to the website as we no longer accept paper applications.

- He attended the PUD meeting in Olympia last week primarily to meet with legislators and discuss the Little Mountain Road Project. He noted it is not likely the District will submit a formal request for funding this year because it is a supplemental budget year and there are a couple of issues to work out. His primary goal was to update the legislators on the project’s progress to date and discuss the issue we have which is that we are receiving opposition from a small group of residents on the Little Mountain Road regarding the county’s requirement for them to hook up. It is our plan to work with the county regarding permitting requirements. We will also continue with design and hope to apply for funding next year.

- Presentations have been scheduled at each of the City Council and County Commissioner meetings. Updates will be provided to the Board so at least one Commissioner can attend. Quarterly meetings have also been scheduled with each of the Mayors to stay in communication with them.

- With the Fidalgo Memorandum of Understanding, we are working with Anacortes on the next phase which is public outreach. We want to target the early part of March and are starting to look at locations and times for more than one meeting to give people a chance to participate.

- The regular meeting schedule will resume next week, Tuesday January 28, 2020 at 4:30 pm.

**NEW BUSINESS**

8. **Resolution No. 2270-20: Appointment of Brian Henshaw as District Treasurer**
   Commissioner Lindquist moved to approve Resolution No. 2270-20, a Resolution of the Commission of the Public Utility District No. 1 of Skagit County, Washington, appointing Brian Henshaw as District Treasurer which was unanimously approved. The Commission and the General Manager thanked Sally Saxton for her work during the transition.

9. **Resolution No. 2271-20: Authorizing Investment in Local Government Investment Pool**
   Commissioner Littlefield moved to approve Resolution No. 2271-20, a Resolution of the Commission of the Public Utility District No. 1 of Skagit County, Washington, authorizing investment of Public Utility District No. 1 of Skagit County monies in the local government investment pool which was unanimously approved.

10. **Mountain View Project Award**
    Engineering Manager Mark Handzlik provided a brief background on the project and bids received.

    Commissioner Lindquist moved to authorize the General Manager to execute and enter into a contract with Trico Companies, LLC. in the amount of $620,083.25 for construction of the Mountain View Road Pipeline Project which was unanimously approved.
11. City of Anacortes Interlocal Cooperative Agreement
Commissioner Littlefield moved and Commissioner Lindquist seconded the motion to authorize the General Manager to enter into an interlocal cooperative agreement with the City of Anacortes for intermittent and short duration project assistance which passed unanimously.

12. Campus Feasibility Update
Capital Projects Manager Sam Shipp spoke to the proposed remodel and expansion of the District’s headquarters. Discussion followed. The Commission requested renderings of the proposed building to be created by the architect prior to moving forward with the schematic design.

INFORMATION
15. Commission Disclosure of Conflicts of Interest - Per Governance Policy Section 7.2.2.; Commission obligation to disclose any conflicts of interest as defined in Chapter 42.23 RCW. Commissioner Berg noted that he works for the City of Sedro Woolley and there is the potential for a conflict of interest and that is why he does not vote on the vouchers that are paid to the City. Commissioner Littlefield noted no conflicts. Commissioner Lindquist noted he is employed by Baird’s and unlikely to have a conflict of interest.

16. Judy Reservoir Data Report
17. Recent News Articles
18. Letter to Customers re Agriculture Rate

COMMISSIONER COMMENTS
Commissioner Lindquist attended the Skagit Council of Governments (SCOG) meeting last week and noted that he is the SCOG Chair for this year. Commissioner Littlefield suggested we inform customers of potential scammers who pose as water purveyors/testers. Commissioner Berg had nothing to report at this time.

ADJOURNMENT
With no further business to come before the Board, the meeting was adjourned at 5:17 p.m.

Respectfully submitted:

Deana Dean
Clerk of the Board
The meeting was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington.

Commissioners Present: Eron Berg, President; Al Littlefield, Vice President; and Joe Lindquist, Secretary.

Staff Present: George Sidhu, Brian Henshaw, Kevin Tate, Mike Fox, Mark Semrau, Mark Handzlik, Sam Shipp, Luis Gonzalez, Sally Saxton, and Deana Dean.

Other Parties Present: Judy Littlefield and Les Walker.

Commissioner Berg called the meeting to order at 4:30 p.m. and the Pledge of Allegiance followed.

CONSENT AGENDA
Commissioner Lindquist moved to approve the Consent Agenda for January 28, 2020 which was passed unanimously.

1. Approval of Agenda 1/28/20
2. Voucher Approval:
   1/28/20 – No. 2907: Accounts Payable Voucher No. 17530 – 17576 ($192,708.71) and Electronic Funds Transfer ($141,271.10)

AUDIENCE COMMENTS
None.

TREASURER’S REPORT – DECEMBER 2019
Finance Manager Brian Henshaw reviewed revenue and expenditures as of December 2019.

OLD BUSINESS
3. Manager’s Report
   General Manager George Sidhu provided an update which included:
   • He and Commissioner Berg will be meeting with the Skagit County Commissioners this week regarding Little Mountain Road. He received additional information on the county code what it includes and how it is enforced. Ultimately trying to get their support and this is the first step.
   • Fidalgo Water System transfer: Thursday March 5, 2020 at 7:00 pm has been identified to hold an Open House at the Dewey Beach Community Hall. Discussion is being held with City of Anacortes about the possibility of a second date, maybe a Saturday morning, for people to come and ask questions.
• District Headquarters: Some renderings of what the building might look like will be presented at the February 11, 2020 meeting. There is another site that came available in Sedro Woolley. Sam will be attending a pre-application meeting with the city on February 5th and information will be provided about that on the 11th as well.

4. Customer Service Department Report
Community Relations Manager Kevin Tate, provided an update by PowerPoint presentation, to include: online bill pay, bulk water fill stations, new hire Gary Braaten as Billing Clerk, agriculture letters mailed to customers, meter department implementation for Beacon AMA software, community outreach including Judy Reservoir and water treatment plant tours, spring events, rain barrels, and CodeRED for customer notifications.

NEW BUSINESS
5. Uncollectible Accounts
Finance Manager Brian Henshaw provided a review of uncollectible accounts noting it is approximately $3,000 less than the prior twelve-month period. Commissioner Littlefield noted automated bill pay may help reduce uncollectible accounts. Discussion followed.

Commissioner Littlefield moved to approve the presented list of uncollectible accounts and authorize the General Manager to write-off the amount of $38,287 from accounts receivable which was unanimously approved.

6. Review of LUD status
Brian Henshaw reviewed delinquent LUD accounts noting staff have been working with property owners setting up payment plans and will continue to work with property owners in lieu of foreclosure.

Commissioner Lindquist moved to authorize the Treasurer to offer automatic bank deductions for all LUD installments and to start collection actions on delinquent LUD installments which was unanimously approved.

INFORMATION
7. Judy Reservoir Data Report

COMMISSIONER COMMENTS
Commissioners Lindquist and Littlefield had nothing to report at this time. Commissioner Berg noted that he accepted a job as Executive Director for the Port of Port Townsend effective April 1, 2020. He will keep the District posted as to timing of his intended move at which time the Board will need to appoint a replacement.
EXECUTIVE SESSION
Commissioner Berg announced the need for an executive session to review litigation that the agency reasonably believes may be commenced by or against the agency, the governing body, or a member acting in an official capacity – per RCW 42.30.110(1)(i)(ii) for approximately 30-40 minutes. He stated there would be no action following the executive session.

The Commission recessed at 5:00 p.m. and reconvened at 5:32 p.m.

ADJOURNMENT
With no further business to come before the Board, the meeting was adjourned at 5:32 p.m.

Respectfully submitted:

Deana Dean
Clerk of the Board
We, the undersigned Board of Commissioners of Public Utility District No. 1 of Skagit County, Washington, do hereby certify that the merchandise and/or services hereinafter specified have been received and are hereby approved for payment in the amount of $339,066.92 this 4th day of February, 2020.

The total is comprised of the following:

Accounts Payable voucher No. from 17577 through 17606 in the amount of $72,666.25, Electronic Funds Transfer in the amount of $71,244.69. Payroll Electronic Funds Transfers and checks No. 029979 through 030062 in the amount of $195,155.98.

Attest:

President
Vice - President
Secretary

Date: 02/03/2020

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<td>143,910.94</td>
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</table>
Date: February 11, 2020

To: Patsy Martin, Executive Director Port of Skagit
    George Sidhu, General Manager Skagit PUD

From: Andrew Entrikin, SkagitNet Manager

Re: SKAGITNET, LLC REPORT

Grant Funding

Outside Funding – In 2019 SkagitNet received $500,000 to construct a carrier grade, open access fiber network connecting the Town of Hamilton to Concrete with eventual connection to Darrington. We were also awarded $500,000 to construct a carrier grade, open access fiber network throughout the Town of Concrete. Since 2017 we have received a total of $3.2M in .09 funds. In 2019 we received $1M in a grant/loan (2.2% interest) combo from the Community Economic Revitalization Board (CERB).

<table>
<thead>
<tr>
<th>SOURCES OF OUTSIDE FUNDS - CAPITAL PROJECTS</th>
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<tr>
<td>Local .09 Grant</td>
</tr>
<tr>
<td>1) $1.2M Segment 2 and 3 (2017)</td>
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<tr>
<td>a. Remaining Grant Balance $1,298.72</td>
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<tr>
<td>2) $500k Sedro-Woolley distribution (2018)</td>
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<tr>
<td>3) $500K mid mile to Sedro-Woolley/cook road (2018)</td>
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<tr>
<td>b. Remaining Grant Balance $839,437.80</td>
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<tr>
<td>4) $500K Concrete distribution (2019)</td>
</tr>
<tr>
<td>5) $500K mid mile Concrete to Rockport (2019)</td>
</tr>
</tbody>
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State CERB 50/50 grant/loan combo (2.2%)

| 1) Hamilton to Concrete                   |

| TOTAL SOURCES OF OUTSIDE FUNDS - CAPITAL PROJECTS | $ 4,200,000 |
|---------------------------------------------------|
| Total Sources of Funds - Broadband               | $ 4,200,000 |

Washington State Public Works Board (PWB) – Port of Skagit received a $50,000 planning grant from the PWB to complete a Sauk-Suiattle Tribe Dark Fiber Optic Needs Assessment and Feasibility study.
USDA ReConnect Grant - On December 12, 2019, U.S. Secretary of Agriculture, Sonny Perdue, announced the availability of a second round of funding under the ReConnect Program. USDA will make up to $200 million for grants, up to $200 million for 50/50 grant/loan combinations, and up to $200 million for low-interest loans.

The Port intends to apply for the grant in the amount of $3,538,000 in construction funding to build fiber to the Sauk Suiattle Tribe and possibly beyond toward Darrington.

Project Summary

Telecom Shelter (colocation facility) – 10’ x 20’ x 9’ prefab communication shelter scheduled to arrive first week of March. Chad Fisher is contracted to pour slab. Team is mobilized this week to complete. Barnhart crane is scheduled to be on site day of delivery to place hut on the slab.

Segments 2&3 (Port of Skagit property to La Conner and Mount Vernon). Fiber in place. Splicing contractor is mobilized this week to complete work. Building La Conner distribution by April to allow us to be responsive to service requests at the marina. We will also be ready to connect to Mount Vernon’s vault for redundancy.

Segment 4 (Chuckanut interchange to Minkler Road in SW). Design and permits are complete. Overlash to PSE with a sole source contract with Diversified. The port is preparing to issue a notice to proceed currently. Project anticipated to be complete within 3 months.

Sedro-Woolley Distribution System – Design complete. Wrapping up a couple permits. As soon as those are issued will send out to bid.

Segment 6 (Hamilton to Concrete) – Design complete. Two permits awaiting approval. Private telecom interested in leasing strands to the Port. This could reduce the amount of backbone infrastructure we build. And, may result in reallocation of funds to build more end user connections.

Town of Concrete Distribution System. Design complete and permits are issued. Ready to send out bid package.

Operations Management

In 2018, SkagitNet contracted with the Port of Whitman (POW) for management services. In 2019, a group of 6 ports formed a new LLC joint operating entity called “Petrichor LLC” to provide network management services to other organizations including Ports and PUDs. The previous agreement with POW has now been terminated and replaced with a new agreement for management services with Petrichor, LLC. In 2019, the Port of Skagit paid $30,000 to POW for management services. The new agreement with Petrichor reduces the minimum annual fee to $10,000 or 15% of gross revenues, whichever is more.

One-call/locate plan – Petrichor, LLC will manage one-call system. PUD will provide locate services.
Maintenance and repair plan – SkagitNet is building a tool kit of contractors available to provide emergency maintenance and repair. We’ve engaged with Carpenter Cable Services who knows the Port’s/PUD’s system well.

Network operating center plan – NOC services will be provided under the Petrichor agreement.

Provider transitions – Providers are transitioning to SkagitNet agreement. Allixo’s legacy agreement expired in September 2019 and all customers successfully migrated. Working with remaining providers as legacy agreements term out.

Franchise application to Mount Vernon – Design complete and ready to submit to City of Mount Vernon.

Infrastructure Use Agreement between SkagitNet, Port, and PUD for use of individually owned assets – Draft agreement circulated and under review by staff at both Port/PUD.
### Skagit Net LLC

**Profit & Loss**

**Cash Basis**

**January through December 2019**

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<td>33700 - Local Grants, Entitlements, Oth</td>
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<td>34300 - Utility Fees - Fiber</td>
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<td>51300 - General Executive Activities</td>
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<tr>
<td>59400 - Capital Expenditures</td>
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<td><strong>Total Expense</strong></td>
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<p>| Net Income                  | 4,211.22     |</p>
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<td><strong>ASSETS</strong></td>
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<td>Current Assets</td>
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<td>Total Checking/Savings</td>
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<td>Total Current Assets</td>
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<td><strong>TOTAL ASSETS</strong></td>
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<td>Liabilities</td>
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<td>Current Liabilities</td>
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<td>Other Current Liabilities</td>
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<tr>
<td>Total Current Liabilities</td>
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</tbody>
</table>
Fourth Quarter Financial Summary
December 31, 2019
District Funds - $18.6 M

- General Revenue: $10,781,461, 58%
- System Development: $5,211,294, 28%
- Bond Reserve: $1,346,399, 7%
- Debt Service: $1,235,109, 7%
District Investments

Interest Rate

Jan  Feb  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

LGIP  2 YR Treasury

2/6/2020
## District Revenues

<table>
<thead>
<tr>
<th></th>
<th>2018 December</th>
<th>2019 December</th>
<th>Change Y-O-Y</th>
<th>Budget December</th>
<th>Budget to Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential &amp; Multi-family</td>
<td>$15,897,428</td>
<td>$17,135,578</td>
<td>8%</td>
<td>$17,150,000</td>
<td>100%</td>
</tr>
<tr>
<td>Commercial, Industrial, &amp; Farms</td>
<td>5,656,318</td>
<td>6,124,021</td>
<td>8%</td>
<td>6,310,000</td>
<td>97%</td>
</tr>
<tr>
<td>Resale</td>
<td>124,853</td>
<td>136,663</td>
<td>9%</td>
<td>105,000</td>
<td>130%</td>
</tr>
<tr>
<td>Irrigation</td>
<td>805,048</td>
<td>820,387</td>
<td>2%</td>
<td>690,000</td>
<td>119%</td>
</tr>
<tr>
<td><strong>TOTAL WATER SALES</strong></td>
<td>22,483,647</td>
<td>24,216,648</td>
<td>8%</td>
<td>24,255,000</td>
<td>100%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>570,474</td>
<td>565,709</td>
<td>-1%</td>
<td>578,720</td>
<td>98%</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>$23,054,121</td>
<td>$24,782,357</td>
<td>7%</td>
<td>$24,833,720</td>
<td>100%</td>
</tr>
</tbody>
</table>
Operating Revenue - $24.8 M

2017: Res & Multi 72% Comm, Indust & Farms 26% All Other Water Sales 2%
2018: Res & Multi 71% Comm, Indust & Farms 26% All Other Water Sales 3%
2019: Res & Multi 72% Comm, Indust & Farms 26% All Other Water Sales 2%
Budget: Res & Multi 69% Comm, Indust & Farms 25% All Other Water Sales 6%
## System Revenue

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Y-O-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December</strong></td>
<td>$20,727,786</td>
<td>$22,242,897</td>
<td>$23,883,672</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Judy System</td>
<td>434,059</td>
<td>493,734</td>
<td>522,563</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Fidalgo / Similk</td>
<td>89,686</td>
<td>99,132</td>
<td>108,631</td>
<td>10%</td>
<td>-2%</td>
</tr>
<tr>
<td>Cedar Grove</td>
<td>30,567</td>
<td>34,723</td>
<td>33,957</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Rockport</td>
<td>10,202</td>
<td>12,298</td>
<td>13,030</td>
<td>6%</td>
<td>57%</td>
</tr>
<tr>
<td>Mountain View</td>
<td>102,942</td>
<td>59,989</td>
<td>93,895</td>
<td>12%</td>
<td>57%</td>
</tr>
<tr>
<td>Alger / Samish</td>
<td>41,973</td>
<td>48,176</td>
<td>53,954</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>Potlatch</td>
<td>37,320</td>
<td>42,777</td>
<td>53,096</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Skagit View Village</td>
<td>16,370</td>
<td>17,816</td>
<td>19,559</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL WATER SALES</strong></td>
<td><strong>$21,490,905</strong></td>
<td><strong>$23,054,542</strong></td>
<td><strong>$24,782,357</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
New Services - 227
Meters – 26,820

- Residential, 22,419 (84%)
- Comm, Gov't & Ag., 2,219 (8%)
- Multi, 1,265 (5%)
- Other, 917 (3%)
- Hydrant, 74
- Statement, 9
- Deduct, 167
- Irrig, 137
- Fire, 431 (2%)
- Manifold, 69
- Master, 28

2/6/2020

Owned By The People We Serve!
## Capital Contributions

<table>
<thead>
<tr>
<th>CAPITAL CONTRIBUTIONS</th>
<th>2018 December</th>
<th>2019 December</th>
<th>Change Y-O-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-donated Plant (WO)</td>
<td>$325,758</td>
<td>$201,919</td>
<td>-38%</td>
</tr>
<tr>
<td>Donated Plant (Bill of Sales)</td>
<td>$3,315,473</td>
<td>$1,610,003</td>
<td>-51%</td>
</tr>
<tr>
<td>System Development Fee (SDF)</td>
<td>$1,652,743</td>
<td>$1,610,316</td>
<td>-3%</td>
</tr>
<tr>
<td>Services</td>
<td>$399,984</td>
<td>$391,743</td>
<td>-2%</td>
</tr>
<tr>
<td>Pipe Replacement (Surcharge)</td>
<td>$626,652</td>
<td>$632,850</td>
<td>1%</td>
</tr>
<tr>
<td>Capital grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL CONTRIBUTIONS</strong></td>
<td><strong>$6,703,560</strong></td>
<td><strong>$4,446,831</strong></td>
<td><strong>-34%</strong></td>
</tr>
</tbody>
</table>

### Change Y-O-Y

<table>
<thead>
<tr>
<th>CAPITAL CONTRIBUTIONS</th>
<th>Budget to December</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-donated Plant (WO)</td>
<td>$420,000</td>
<td>48%</td>
</tr>
<tr>
<td>Donated Plant (Bill of Sales)</td>
<td>$600,000</td>
<td>268%</td>
</tr>
<tr>
<td>System Development Fee (SDF)</td>
<td>$1,595,000</td>
<td>101%</td>
</tr>
<tr>
<td>Services</td>
<td>$493,000</td>
<td>79%</td>
</tr>
<tr>
<td>Pipe Replacement (Surcharge)</td>
<td>$686,500</td>
<td>92%</td>
</tr>
<tr>
<td>Capital grants</td>
<td></td>
<td>117%</td>
</tr>
</tbody>
</table>

### Summary

- **Non-donated Plant (WO)**: Decrease of 38%
- **Donated Plant (Bill of Sales)**: Decrease of 51%
- **System Development Fee (SDF)**: Decrease of 3%
- **Services**: Decrease of 2%
- **Pipe Replacement (Surcharge)**: Increase of 1%

- **Capital grants**: -

**TOTAL CAPITAL CONTRIBUTIONS**: Decrease of 34%
Capital Contributions – $4.4 M

2017

- Work Orders: $0.3
- Services: $0.5
- System Development: $1.6

2018

- Donated Plant: $3.2
- Services: $0.5
- System Development: $1.1
- Pipe Replacement: $0.6

2019

- Work Orders: $0.2
- Services: $0.5
- System Development: $1.5
- Pipe Replacement: $0.6
# Summary Expenses

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Budget</th>
<th>Budget to Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>December</td>
<td>Y-O-Y</td>
<td>December</td>
<td>Actual</td>
</tr>
<tr>
<td>Salary/Wages/Benefits</td>
<td>$8,324,267</td>
<td>$9,406,882</td>
<td>13%</td>
<td>$9,428,809</td>
<td>100%</td>
</tr>
<tr>
<td>Power for Pumping</td>
<td>497,652</td>
<td>595,236</td>
<td>20%</td>
<td>530,000</td>
<td>112%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>506,483</td>
<td>383,350</td>
<td>-24%</td>
<td>523,380</td>
<td>73%</td>
</tr>
<tr>
<td>Infrastructure Repairs &amp; Maintenance</td>
<td>913,864</td>
<td>928,247</td>
<td>2%</td>
<td>953,564</td>
<td>97%</td>
</tr>
<tr>
<td>Technology/SCADA/Support</td>
<td>457,776</td>
<td>397,040</td>
<td>-13%</td>
<td>586,909</td>
<td>68%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>416,837</td>
<td>322,337</td>
<td>-23%</td>
<td>580,500</td>
<td>56%</td>
</tr>
<tr>
<td>Utilities</td>
<td>207,207</td>
<td>212,788</td>
<td>3%</td>
<td>235,516</td>
<td>90%</td>
</tr>
<tr>
<td>Insurance</td>
<td>426,085</td>
<td>479,195</td>
<td>12%</td>
<td>531,997</td>
<td>90%</td>
</tr>
<tr>
<td>General Supplies &amp; Services</td>
<td>411,154</td>
<td>367,361</td>
<td>-11%</td>
<td>367,094</td>
<td>100%</td>
</tr>
<tr>
<td>Utility &amp; Other Taxes</td>
<td>1,156,330</td>
<td>1,264,797</td>
<td>9%</td>
<td>1,250,120</td>
<td>101%</td>
</tr>
<tr>
<td>Transfers to Construction</td>
<td>(1,200,951)</td>
<td>(786,753)</td>
<td>-34%</td>
<td>(1,430,000)</td>
<td>55%</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>12,892,808</td>
<td>14,273,103</td>
<td>11%</td>
<td>14,472,552</td>
<td>99%</td>
</tr>
</tbody>
</table>
# Department Expenses

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Y-O-Y</th>
<th>Budget</th>
<th>% Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>193,637</td>
<td>206,768</td>
<td>7%</td>
<td>231,182</td>
<td>89%</td>
</tr>
<tr>
<td>Commissioners</td>
<td>210,633</td>
<td>238,008</td>
<td>13%</td>
<td>250,070</td>
<td>95%</td>
</tr>
<tr>
<td>Administration</td>
<td>1,124,171</td>
<td>1,172,334</td>
<td>4%</td>
<td>1,289,268</td>
<td>91%</td>
</tr>
<tr>
<td>Safety Program</td>
<td>181,718</td>
<td>178,273</td>
<td>-2%</td>
<td>207,742</td>
<td>86%</td>
</tr>
<tr>
<td>Const. Maintenance</td>
<td>1,082,118</td>
<td>1,663,672</td>
<td>54%</td>
<td>1,293,785</td>
<td>129%</td>
</tr>
<tr>
<td>Water Treatment Plant</td>
<td>2,529,639</td>
<td>2,254,014</td>
<td>-11%</td>
<td>2,625,169</td>
<td>86%</td>
</tr>
<tr>
<td>Distribution</td>
<td>1,095,250</td>
<td>1,157,725</td>
<td>6%</td>
<td>1,286,804</td>
<td>90%</td>
</tr>
<tr>
<td>Lab &amp; Water Quality</td>
<td>295,296</td>
<td>309,152</td>
<td>5%</td>
<td>350,884</td>
<td>88%</td>
</tr>
<tr>
<td>Operations &amp; Facilities</td>
<td>982,998</td>
<td>968,654</td>
<td>-1%</td>
<td>1,055,394</td>
<td>92%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>1,093,699</td>
<td>1,076,920</td>
<td>-2%</td>
<td>1,406,586</td>
<td>77%</td>
</tr>
<tr>
<td>Finance &amp; Stores</td>
<td>900,117</td>
<td>961,601</td>
<td>7%</td>
<td>1,114,790</td>
<td>86%</td>
</tr>
<tr>
<td>Meter Crew</td>
<td>585,656</td>
<td>544,587</td>
<td>-7%</td>
<td>613,921</td>
<td>89%</td>
</tr>
<tr>
<td>Cust. Service &amp; Billing</td>
<td>839,447</td>
<td>852,867</td>
<td>2%</td>
<td>944,859</td>
<td>90%</td>
</tr>
<tr>
<td>Community Relations</td>
<td>200,709</td>
<td>234,420</td>
<td>17%</td>
<td>263,042</td>
<td>89%</td>
</tr>
<tr>
<td>Engineering</td>
<td>1,619,317</td>
<td>1,979,660</td>
<td>22%</td>
<td>1,669,378</td>
<td>119%</td>
</tr>
<tr>
<td>Revenues</td>
<td>Expenses</td>
<td>Operating Income</td>
<td>Capital Contributions</td>
<td>Income</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
<td>------------------</td>
<td>-----------------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>$23,553,507</td>
<td>$13,492,810</td>
<td>$10,060,697</td>
<td>$6,703,560</td>
<td>$16,764,257</td>
<td></td>
</tr>
<tr>
<td>$25,332,985</td>
<td>$14,901,887</td>
<td>$10,431,097</td>
<td>$4,446,831</td>
<td>$14,877,929</td>
<td></td>
</tr>
<tr>
<td>8%</td>
<td>11%</td>
<td>4%</td>
<td>-34%</td>
<td>-11%</td>
<td></td>
</tr>
<tr>
<td>YoY</td>
<td>December</td>
<td>December</td>
<td>December</td>
<td>December</td>
<td></td>
</tr>
<tr>
<td>$25,069,194</td>
<td>$15,046,510</td>
<td>$10,022,684</td>
<td>$3,794,500</td>
<td>$13,817,184</td>
<td></td>
</tr>
<tr>
<td>101%</td>
<td>99%</td>
<td>104%</td>
<td>117%</td>
<td>108%</td>
<td></td>
</tr>
<tr>
<td>Budget to Actual</td>
<td>December</td>
<td>December</td>
<td>December</td>
<td>December</td>
<td></td>
</tr>
<tr>
<td>$25,069,194</td>
<td>$15,046,510</td>
<td>$10,022,684</td>
<td>$3,794,500</td>
<td>$13,817,184</td>
<td></td>
</tr>
<tr>
<td>101%</td>
<td>99%</td>
<td>104%</td>
<td>117%</td>
<td>108%</td>
<td></td>
</tr>
</tbody>
</table>
Capital Expenditures - $10.4 M
### Project Summary

#### PIPE REPLACEMENT PROJECTS
- **Burkland Stackpole Road**
  - N 18 St E Division to Highland
  - Little Mt Rd E Blackburn Rd t
  - Conway I-5 Crossing
  - Total: $1,166,287
- **JR-MV Transmission-Phase 2**
  - McLean Rd Phase II
  - Total: $3,103,109
- **WTP Floor Replacement**
  - Total: $28,053

#### TRANSMISSION PIPELINES
- **WTP Condition Assessment**
  - Total: $295,691
- **PUD Campus Replacement**
  - Total: $141,316
- **Burlington to MV Fiber**
  - Total: $31,519
- **WTP Floor Replacement**
  - Total: $28,053

#### OTHER PROJECTS
- **Mountain View Estates Consolid**
  - Total: $97,435
- **Bulk Fill Station**
  - Total: $82,141
- **2019 DOH Security Mandates**
  - Total: $97,575
- **RWPS Upgrade**
  - Total: $215,947
- **WTP Condition Assessment**
  - Total: $295,691
- **PUD Campus Replacement**
  - Total: $141,316
- **Burlington to MV Fiber**
  - Total: $31,519
- **WTP Floor Replacement**
  - Total: $28,053

Total: $989,677
Financial Summary

December 31, 2019
February 11, 2020

TO: Commission

FROM: George Sidhu, General Manager

SUBJECT: Enterprise Document Management System Update

Requested Action:
No action is requested at this time.

Summary:
The Evaluation Team has narrowed the field of Enterprise Document Management Systems (EDMS) to two proposers. The evaluation will continue with scripted onsite solution demonstrations and reference calls. In parallel, the team will gather information regarding one option available on the Washington State DES Master Contract, FreeDoc – a LaserFiche partner.

Background:
On November 5, 2019, the District issued a Request for Proposal (RFP) from qualified firms for an EDMS, comprised of both software and services. Eight (8) firms indicated interest and participated in the pre-proposal conference November 19, 2019. Three (3) proposals were received by the December 10, 2019 deadline. Proposers included Cadence Solutions (Cadence), Cities Digital (CDI), and Harris Loris (Loris).

Each member of the EDMS Evaluation Team, comprised of representatives from across the District, reviewed and scored the proposals. Cost information was withheld until all scores were collected.

From January 22-24, 2020, the Evaluation Team invited proposers to present a two-hour demonstration of their solution structured according to a script provided by the District. For the sake of appropriate due diligence, solutions available through the Washington State DES Master Contract were also invited to participate. Two State Contract firms participated: Hyland and FreeDoc. In total, the team received presentations from five firms.

On February 5, 2020, the Evaluation Team convened to review scores and to establish the competitive range. Each proposal was evaluated according to the following criteria - listed in order or priority:
1. Ability to meet RFP functional requirements
2. Ability to meet technical requirements
3. Proposer implementation experience and approach
4. Post-installation support and service
5. Installed and on-going cost
6. Proposer experience related to scope of this RFP

On the basis of RFP scoring results, the Evaluation Team selected the following proposals for the competitive range - presented in rank order:

1. CDI (LaserFiche)
2. Loris (FileNexus)
3. Cadence (OpenText)

After establishing the competitive range, team members provided their input related to the remote solution demonstrations. The Evaluation Team expressed a clear preference for CDI and Cadence. The presentation by Loris was not well-received. The team also discussed presentations by FreeDoc and Hyland from the State Contract to determine whether additional due diligence was warranted.

After some deliberation, The Evaluation Team decided to eliminate Loris from consideration. The solution was not on-par with other offerings and was the most expensive from a software license perspective. Of the State Contract solutions, the team expressed little interest in Hyland but wished to gather additional information from FreeDoc. Note that both CDI and FreeDoc are LaserFiche partners.

Cadence and CDI will be invited to demonstrate their solutions onsite using a script provided by the District. Each demonstration will last one business day and will address District business processes, implementation approach, and technology.

**Fiscal Impact:**
No fiscal impact at this time
February 11, 2020

TO: George Sidhu, P.E., General Manager

FROM: Mark Handzlik, P.E., Engineering Manager

BY: Sam Shipp, P.E., Capital Project Manager

SUBJECT: Campus Feasibility Update

Requested Action:
Authorize the architect to continue with schematic design of campus option 3C as presented.

Background:
The District’s headquarters facility requires significant repairs to comply with current building codes and meet the future expansion needs of the District.

On November 19, 2019, the Commission was presented with a Facility Assessment Executive Report. The report included an assessment of the existing facility as well as three options for remodel and expansion.

During the November 19, 2019 regular meeting, the Commission authorized the continuation of the probable construction cost investigation. This research included a pre-application meeting with the City of Mount Vernon to better understand project requirements and costs associated with building a new facility at 1415 Freeway Drive. On December 10, 2019 District staff and Driftmier Architects attended the Pre-application meeting with the City of Mt. Vernon.

At the January 14, 2020 regular meeting, the Commission requested exhibits depicting the proposed building located at 1415 Freeway Drive. In particular, the appearance of the building, elevated to meet the flood elevation requirements. Those depictions are attached to this memo.

Recently District staff have been informed of a parcel in Sedro-Woolley that may serve the District’s purpose should relocation be reconsidered. On February 5, District staff and Driftmier Architects attended the Pre-application meeting with the City of Sedro-Woolley to discuss a potential site located at 201 Jones Road. This site was reviewed by New Ventures Group in June of 2019. The site is currently for sale.

The proposed site is 21.4 acres and has a list price of $1,495,000. It is zoned industrial, is out of the flood plain, and a recent wetland investigation found no evidence of wetlands.
However, parcel improvements would necessitate a full road improvement of Patrick Street thru the property, and setbacks from Brickyard Creek are 110 feet.

**Fiscal Impact**
Funding for this project will come from budget line item number 39, Campus Design and Construction. This is a multi-year budget item and the use of these funds for this project is consistent with their intended purpose.

Attachments:
- Building exhibits – 1415 Freeway Drive Mt. Vernon.
- Proposed site plan – 201 Jones Road Sedro-Woolley

SDS
February 11, 2020

TO: George Sidhu, P.E., General Manager
FROM: Mark Handzlik, P.E., Engineering Manager
BY: Sam Shipp, P.E., Capital Project Manager

SUBJECT: Micro Hydro – Memorandum of Understanding

Requested Action:
Authorize the General Manager to sign a Memorandum of Understanding (MOU) between Skagit PUD and InPipe Energy Inc.

Background:
The District operates numerous pressure reducing valves throughout the distribution system. These pressure reducing valves can be bypassed by a micro hydro unit that will provide the same function of the pressure reducing valve while generate clean hydroelectric energy. InPipe Energy has been working with the District to evaluate sites that could benefit from a micro hydro unit. Three of the District’s sites are being considered for moving forward with a project. Other sites are still under consideration.

There is no agreement between Skagit PUD and InPipe Energy. InPipe Energy has provided an MOU to help establish the basis for the parties to conduct further negotiation with regard to micro hydro installations. The MOU further stipulates that the District will negotiate “Definitive” agreements in good faith with InPipe Energy. These definitive agreements will detail the terms and conditions of construction, payment, maintenance, and transfer of ownership.

The installation of Micro Hydro Units to create clean energy aligns with the Washington State Clean Energy policy for utilities to obtain 100% of electricity from carbon-free sources by 2045, and the Skagit County Climate Change and Sustainability Initiative which includes increasing deployment of renewable energy in public facilities and encourage demonstration programs. It also aligns with the Skagit PUD core value of environmental stewardship and goal to strengthen the use of technology to create efficiencies.

Fiscal Impact
None
MEMORANDUM OF UNDERSTANDING  
Between  
Skagit PUD and InPipe Energy

This Memorandum of Understanding (“MOU”) is dated ______________ (the “Effective Date”) and is made by and between InPipe Energy Inc., a corporation duly organized and validly existing under the laws of Delaware (“InPipe”), and Skagit PUD, a public utility district existing within the state of Washington (“SKAGIT”). InPipe and SKAGIT will be referred to individually as a “Party” and collectively as the “Parties”.

WHEREAS, InPipe is a renewable energy and smart water technology company focused on generating low cost, clean electricity from the flow of water in gravity fed water pipelines to improve resiliency in cities and communities around the world;

WHEREAS, InPipe submitted a preliminary design proposal to SKAGIT on October 30 2019 (the “Proposal”) concerning the design, construction, operation and maintenance of a pilot system in SKAGIT’s pipeline to generate renewable electricity (the “System”);

WHEREAS, subject to satisfactory completion of each Party’s due diligence, InPipe would design, construct, operate and maintain the System and sell the renewable electricity to SKAGIT and SKAGIT would purchase the renewable electricity generated by the System or establish a feed in tariff agreement (the “Potential Transaction”); and

WHEREAS, this MOU is being executed to establish the basis for the Parties to conduct further negotiations with respect to the Potential Transaction.

NOW, THEREFORE, to facilitate further negotiations and evaluation, the Parties desire to set forth the basic terms of the potential transaction and their understandings with respect thereto.

1. **TERM**

   This MOU shall expire and be of no further force and effect as of the earlier of (i) the twelve (24) month anniversary of the date of this MOU or (ii) the execution of Definitive Agreements (as defined below). Either Party has the right in its sole discretion to terminate this MOU at any time and for any reason upon providing written notice to the other Party.

2. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

   A. Each Party represents and warrants to the other Party that it is not aware of any fact that (i) could obstruct or prevent it from undertaking its due diligence, the scope and extent of which will be determined by each Party in its sole discretion, concerning the Potential Transaction or (ii) proceeding with the Potential Transaction upon successful completion of its due diligence.

   B. Each Party covenants that it shall undertake its due diligence, the scope and extent of which will be determined by each Party in its sole discretion.

   C. Each Party covenants that it will provide reasonable support to the other as it relates to the other Party’s due diligence efforts.
3. CONFIDENTIALITY

The Mutual Confidential Disclosure Agreement between the Parties dated ______________ (the “NDA”), shall remain in full force and effect and apply to this MOU and the materials provided pursuant thereto. Neither this MOU nor its substance may be disclosed except as provided in the NDA, provided InPipe recognizes and acknowledges that SKAGIT is a municipal corporation organized and existing within the State of Washington. Notwithstanding anything to the contrary contained herein and consistent with the NDA, SKAGIT may disclose information and produce documents defined as “confidential” where such disclosure is required to comply with any applicable law, order, regulation or ruling.

4. PROJECT ROLES AND RESPONSIBILITIES

The Parties anticipate that they will have the following general roles and responsibilities in relation to the Potential Transaction, the details of which will be set forth in the Definitive Agreements:

   A. InPipe, with assistance and review by SKAGIT, will design and construct its product.
   B. InPipe and SKAGIT may jointly operate and maintain its product.
   C. InPipe and SKAGIT will work together to ensure that the project meets the design standards established by SKAGIT.
   D. InPipe, with assistance and review by SKAGIT, will establish efficient processes for operational and administrative matters.
   E. SKAGIT will have the options to reduce energy costs at no out-of-pocket costs and/or purchase the product.
   F. InPipe and SKAGIT will work together on grants and regulatory filings to improve the economics of the product installation and operation.

5. POTENTIAL TRANSACTIONS

At such time as the Parties have (i) successfully completed their due diligence and (ii) mutually agreed upon an arrangement or arrangements to accomplish the Potential Transactions, the Parties agree to negotiate in good faith with the objective of creating one or more agreements and such other definitive documentation necessary to accomplish the Potential Transaction (“Definitive Agreements”). The Parties anticipate that the Definitive Agreements, if entered into, will include pricing, commercial terms, customary representations, warranties and covenants by the Parties, together with such other provisions as the Parties, may conclude are necessary, appropriate or desirable for the consummation of the Potential Transaction. During the term of this MOU the Parties shall exercise commercially reasonable efforts to timely negotiate mutually acceptable forms of the Definitive Agreements.

6. DEFINITIVE AGREEMENTS/EFFECT OF THIS MOU

Notwithstanding any other provision of this MOU the Parties understand and acknowledge that:

   A. Additional negotiations, due diligence and evaluation of, and with respect to the Potential Transaction will be required, and that neither Party will be bound to proceed with the other
Party in participating in the Potential Transaction unless and until the Definitive Agreements are negotiated and executed with respect to the Potential Transaction; and

B. No provision in this MOU obligates either Party to enter any agreement with the other Party. Each Party has the right in its sole discretion to terminate discussions at any time and for any reason.

7. EFFECT OF THIS MOU

This MOU and any action taken or not taken by any Party and any written or oral statement made or not made by any Party at any time prior to the execution of the Definitive Agreements shall not, individually or collectively constitute or create any legally binding agreement, except Section 1 (Term), Section 2 (Representations, Warranties and Covenants), Section 3 (Confidentiality), Section 7 (Effect of this MOU), Section 8 (Costs), Section 9 (Limitation of Liability), Section 10 (Choice of Law) and Section 12 (Drafting Presumption), which shall bind the Parties.

8. COSTS

Each Party shall bear its own costs and expenses (including fees of counsel and outside advisors) in connection with the preparation, negotiation and execution of this MOU, in connection with due diligence investigation and evaluation of the Potential Transaction, and in connection with the negotiation, authorization, execution, closing of, any Definitive Agreements.

9. LIMITATION OF LIABILITY

IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY OR ITS REPRESENTATIVES FOR ANY SPECIAL, INDIRECT, NON-COMPENSATORY, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY TYPE, INCLUDING LOST PROFITS, LOSS OF BUSINESS OPPORTUNITY OR BUSINESS INTERRUPTIONS WHETHER ARISING IN CONTRACT OR TORT (INCLUDING NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT OR STRICT LIABILITY) OR OTHERWISE, ARISING OUT OF THIS MOU.

10. CHOICE OF LAW

This MOU shall be governed by the laws of the state of Washington without regard to its conflicts of laws principles.

11. COUNTERPARTS

This MOU may be executed in counterparts, each of which shall have the effect of and be considered as an original of this MOU.

12. DRAFTING PRESCRIPTION

This MOU has been and shall be construed to have been drafted by all Parties to it so that the rule of construing ambiguities against the drafter shall have no force or effect.

[signatures are on the following page]
IN WITNESS WHEREOF this Memorandum of Understanding has been executed by the Parties.

INPIPE ENERGY INC.

By: 
Name: Gregg Semler  
Title: President and CEO

SKAGIT PUD

By: 
Name: George Sidhu, P.E.  
Title: General Manager
February 05  Elevation:  458.72
January 29  Elevation:  457.31
Change in Elevation  1.41
Spillway elevation:  465.10'
Stream Inflow YTD:  371.21 MG
Pumped from river YTD:  0.65 MG