

**MINUTES OF THE REGULAR MEETING OF DECEMBER 29, 2011
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for December 2011 of the Commissioners of Public Utility District No. 1 was called to order on Thursday December 29, 2011, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 12:00 noon. Commissioners Alan Corwin and Paul Pickett were present, Commissioner Stearns was present via phone conference. Also present were John Weidenfeller, the District's General Manager (GM), Julie Parker, the District's Chief Financial Officer (CFO), and Tom McDonald, Chief Legal Counsel. Kim Gubbe, the District's Operations Manager (OM) and Cathy Skiles, Clerk to the Board are excused.

Commissioner Corwin called the general meeting to order at 12:08 pm.

Approval of Agenda:

Commissioner Corwin asked to add the letter from TPPI to the minutes of the December 13, 2011 meeting. He also provided a memo to the other Commissioners regard the electrical issues to be discussed at a future meeting which should be attached to the minutes. Commissioner Pickett made a motion to approve the agenda, Commissioner Stearns seconded, all in favor.

Consent Calendar:

Approval of Minutes: December 13, 2011

Prequalification of Contractors – Small Works Roster

 Buckley Nursery Co.

 Kamin Excavating

SMA Contracts

 JDF Homeowners Assoc (Thurston County, Group B)

Correspondence:

Travel Approvals:

Other

Voucher Approval

 Accounts Payable 12/14/11, 12/21/11

 Payroll 12/20/11

Resolutions:

 Resolution 11-59 SMA Rates, Effective January 1, 2012

 Resolution 11-54 Uncollectible Accounts \$35.38

Commissioner Pickett moved adoption of the Consent Calendar, Commissioner Corwin seconded, all in favor.

Public Comment –

Amy Tousley, municipal manager with Puget Sound Energy was present she indicated she did not wish to make comment.

Action Items: None

Resolutions: None

Information or Discussion of Operations/Policy Issues:

Chief Legal Counsel Services – Commissioner Pickett reviewed the recommendation provided by the General Manager, he agrees with it, with a few additional suggestions. What Commissioner Pickett wants to add is to pull the evaluation form for the first runner up when Tom McDonald was selected. Not much has changed since the Board went through the selection process so he would like to get a resume from the existing firm and one from the first runner up.

Commissioner Stearns added that with the way the economy is he would like to open up the Request for Qualifications. He believes some may have dropped off due to the qualifications of Tom McDonald, also there may be new applicants that we did not receive last time. He would like to assure there is equal input from all three Commissioners.

Commissioner Corwin asked how critical it is that we do not have any lapse between the date Tom McDonald will not be available and the time we have new legal counsel in place? GM Weidenfeller suggests we move forward as quickly as possible. We have a lot of work that needs to be done. Mr. McDonald added that his firm will continue to represent the PUD until the contract is terminated; he believed that there was 30 days of notice required to end contract.

Commissioner Pickett made a motion to move forward with the General Managers recommendation, to use the evaluation form used in the past interviews, and to get resumes from the two candidates; then, provide the resumes to all Commissioners, conduct an interview with Mr. Rehberger, Cascadia Law, and bring back a recommendation to the Board. Commissioner Stearns seconded, all in favor.

Presentation:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing. Commissioner Corwin asked about the discussions that were held at the water committee meeting at WPUDA. GM Weidenfeller recommended that all the commissioners attend the roundtable at the beginning of the WPUDA water committee meetings as they are very valuable and cover most pressing issues.

Commissioner Corwin would like the GM to provide the Board in January with an acquisition strategy for 2012.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe has been excused from the meeting. Commission Pickett expressed the condolences of the District for her personal loss. She provided her operations report in writing in advance of the meeting. It was noted that several dates noted in the operations report were incorrect. The Forest Glen bad water sample was detected on Dec. 9th resulting in a boil water notice that was later lifted on Dec. 21. Permanent chlorination is scheduled to be installed on January 15th.

Chief Financial Officer's Report: Financial Variance Report (every 4th week's meeting)

CFO Parker provided the November 2011 Variance Report in writing. Commissioner Stearns asked a question regarding the impact of metering the final 16 unmetered residences. CFO Parker indicated that the metering of customers will not affect 2011 revenue and was anticipated in the budgeting process for 2012.

Commissioner Corwin requested that the CFO provide an estimate of the annual debt service cost of borrowing \$250 Million over a term of 20 years at 4% interest rate. Commissioner Pickett modified the request to include an analysis of two separate interest rates to provide information on the sensitivity of the payments to interest rate fluctuations. There were no other questions.

Commissioner Pickett asked a question about the presentation of the variance report and whether it included the budget amendment for 2011 that was adopted at the December 13th meeting. CFO Parker verified that the variance report did reflect the December 13th amendment to the 2011 budget.

Legal Report: Attorney Tom McDonald indicated he had nothing new to report. Commissioner Corwin asked the GM to provide the Board with a brief summary of the outcomes of the meeting with the County on January 6, 2012.

Executive Session: none

Commissioner Reports: Chris/Alan//Paul

The Commissioners presented an update on their activities. The Board discussed recent legal cases regarding water, and recent redistricting decisions. Commissioner Pickett noted that the PUD's contacts with legislators who have PUD systems in their districts will change with the new districts. He reminded staff to update the PUD contact list for legislators and members of Congress when the new districts are finalized and in place.

Summary of Assignments:

CFO: Provide an estimate of the annual debt service cost of borrowing \$250 Million over a term of 20 years at 4% and another interest rate to provide information on the sensitivity of the payments to interest rate fluctuations.


GM Weidenfeller:

- Prepare a short summary of the discussions that take place at the meeting with Thurston County on January 6, 2012.

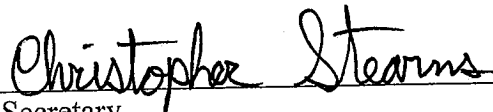
- Provide the Board with an acquisition strategy for 2012.
- Update elected official contact lists when redistricting is implemented.

Adjournment:

At 1:05 p.m. Commissioner Pickett moved to adjourn. Commissioner Corwin seconded, all approved and the meeting was adjourned.



President

Attest: 

Secretary

Subject: Proposed RFP for electric feasibility study

I do not want to blindsides anybody. I also respect the understanding reached at the December PUD meeting that today's December 29 meeting would be limited to housekeeping items.

Therefore I am writing this memo not to initiate a discussion at today's PUD meeting but instead to go on record about my view of a RFP at this time. Please attach this memo to the minutes of today's minutes to avoid any violation of the Open Meetings Act.

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I oppose a RFP for an electric feasibility study **AT THIS TIME**. It's premature. We have not done our homework. I am opposed to spending public tax money to outsource what we should be able to do ourselves.

WRIA #11 funded a feasibility study of water banking with public money when staff work would have come to the same conclusion that the feasibility study did, that water banking wasn't a fit for the Nisqually Basin. I don't want to spend tax money to repeat the WRIS's mistakes.

We have not studied in depth what happened in Jefferson County. What was the timeline from when an organization (separate from the PUD) advocating electric authority for Jefferson PUD was formed to passage of the ballot measure? What were the dates of the significant events along that timeline? Who did what when? Should we travel to Jefferson County and meet with Jefferson PUD in a workshop setting before we issue a RFP? Have we looked at the RFP Jefferson PUD issued for a feasibility study? That should be a no-brainer.

The timing is all wrong. It would give the appearance that Thurston PUD is are trying to aid TIPP. How did Jefferson PUD avoid doing anything which

might have resulted in a claim of misconduct being filed with the PDC? Any hint of coordination between Thurston PUD and TIPP could expose us to legal action. We have a fiduciary responsibility to Thurston County taxpayers about how we spend taxpayer money and what we do to avoid unnecessary legal costs. A RFP at this time could give the appearance that we are planning a feasibility study to support TIPP.

We don't know anything how we would finance purchase of Puget Sound Energy infrastructure. Jefferson County has approximately 40,000 people. Thurston County has more than 250,000. It is estimated it will cost Jefferson more than \$100 million to purchase PSE infrastructure. It's reasonable to estimate it would cost Thurston PUD several \$100 million to acquire PSE infrastructure. How/where would Thurston PUD get the money? We haven't met with Alan Dashen or anyone else to explore alternatives. We don't need to fund a RFP and pay someone else to meet with Alan Dashen.

One of the strongest cases for granting Thurston PUD to offer electric service is that rates would be lower than those currently charged by Puget Sound Energy? Really? Have we added the cost of debt service and repayment of monies to purchase PSE infrastructure to projected rates? Have we asked our CFO for even ballpark figures?

Why is a RFP such a high priority that we need to spend money for a feasibility study **before** we have done our homework? We have agreed since the original business plan that growing the number of water connections to 5,000 was a high priority while our number of connections including SMAs hovers around 4,000 and we rarely talk about it. We agreed new lines of business was a low priority, yet we talk more about new lines of business than we do about strategies to increase our number of water connections.

I am not opposed to a feasibility study **AFTER** we have done our homework and the timing is right. I am opposed to spending taxpayer money for a feasibility study **before** we can make an informed decision without outsourcing what we were elected to do.

FYI - The City of Olympia already did a feasibility study of costs/benefits to form a municipal electric utility. Steve Hall told me it didn't pencil out. If it didn't pencil out for Olympia with a comparatively high population density, what makes us think it would pencil out for rural areas in Thurston County? Shouldn't we ask the City of Olympia for a copy of their feasibility study before we spend taxpayer money on a feasibility study for Thurston PUD?

Maybe we also should talk to Skagit PUD where a ballot measure for electric authority failed just a couple of years ago. If we are going ahead, we should make every effort to avoid their missteps.

Alan M. Brown

