

MINUTES OF THE REGULAR MEETING OF SEPTEMBER 10, 2013
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON

The first regular meeting for September 2013 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, September 10, 2013, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Chris Stearns, Linda Oosterman and Russell Olsen were present. Also present were John Weidenfeller, the District's General Manager (GM), Julie Parker, the District's Chief Financial Officer (CFO), Kim Gubbe, the District's Operations Manager (OM), and Cathy Skiles, Clerk to the Board. Joseph Rehberger, Chief Legal Counsel was excused from the meeting.

Commissioner Stearns called the general meeting to order at 5:04 p.m.

Commissioner Olsen made a motion to approve the Agenda, Commissioner Oosterman seconded, all in favor.

Consent Calendar:

Approval of Minutes:

August 27, 2013 Workshop

August 27, 2013 Meeting

Prequalification of Contractors – Small Works Roster:

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 8/28/13, 9/4/13

Payroll 9/5/13

Resolutions:

Other:

Commissioner Olsen made a motion to approve the Consent Calendar, Commissioner Oosterman seconded, all in favor.

Public Comments: None

Public Hearing:

2014 Budget and Rates Hearing – At 5:07 p.m. Commissioner Stearns opened the 2014 Budget and Rates Hearing.

GM Weidenfeller noted staff has provided the Board with three preliminary 2014 budget and rate options. **Option One:** Provides only minimal essential funding, Under this option, there would be no rate increase and employees would receive no COLA, no step increases and no salary increases in 2014. **Option Two:** Provides essential operating expenses, employees receive annual step increases within their current salary range, and a 1.6% COLA. A rate increase of 2.6% would be

required under Option 2. **Option Three:** The General Manager recommends Option 3. This would fund essential PUD services and would implement the new salary ranges recommended by the Salary Survey. The adoption of this budget would require a 4.15% rate increase.

There were no members of the public present to testify.

Commissioner Stearns closed the 2014 Budget and Rate Hearing.

Information or Discussion of Operations/Policy Issues:

PUD Presence in Thurston Regional Planning Council *Profile* Publication

GM Weidenfeller stated Commissioner Stearns noted that Thurston PUD was not mentioned in the TRPC *Profile*. Commissioner Stearns pointed out that the PUD should be listed and have a narrative in Section 9 of the Profile – Governments and Social Services. This section mentions the Tribes, LOTT, the Port of Olympia, the Regional Library, the Conservation District, and the EDC. He would like to have this corrected. Commissioner Oosterman and Olsen agreed. A draft for inclusion in the *Profile* was provided with the Commission Packet.

Commissioner Oosterman made a motion to accept the description and duties of the PUD, and submit it to the TRPC to include in the *Profile*. Commissioner Olsen seconded, all in favor.

Discussion – Meetings on September 23, October 7, October 8

GM Weidenfeller said it looks to him like the Special Meeting scheduled on September 23rd will no longer be needed. He also noted that the Commissioners are required to approve their 2014 Budget at a meeting on the first Monday in October. The Board discussed the meeting schedule and agreed to meet at 5:00 p.m. on Monday, October 7, and cancel the 1st Regular meeting in October, Tuesday, October 8. This will need to be advertised.

Discussion of Public Input on Accepting or Declining DWSRF Loans for Tanglewilde-Thompson Place Water System Improvements and Surcharge and Rate Increases to Pay for the Improvements

GM Weidenfeller reported the PUD has had a public meeting and a public hearing regarding accepting or declining the two DWSRF loans of approximately \$12 million. The Board discussed the advantages and disadvantages of taking the loans or declining them. The options of funding the improvements using rates or surcharges or rates and surcharges were also discussed. Staff recommended declining the loans due to the large repayment impact on the ratepayers and the time available to find funding in the future before the main replacements are really essential.

Analysis of Leak Loss in Class A Water Systems and Water Use Efficiency

OM Gubbe noted her presentation was included in the Commission packets. She provides Water Use Efficiency reports on Class A systems annually to the State Department of Health.

Water use efficiency includes a goal for consumption reduction; the goal is a six year goal. A report will be provided to the State Department of Health. This is just a method of quantifying how much water the customers are using. The second part of Water Use Efficiency is reporting water loss, which includes mainline leaks.

OM Gubbe used the Tanglewilde Water Use Efficiency report to explain to the Commissioners what a report looks like. Part of the Water Use Efficiency program is educating customers, monitoring water use, etc. The program applies to all Group A water systems. She provided a handout to the Commissioners that showed which systems are meeting their goals and those who are not. She explained some of the reasons systems are not meeting their goal. Rates, weather, metering, and customers are all factors.

OM Gubbe showed the Commissioners the water loss report she has put together. Some systems have substantial water loss and staff is looking for the leaks. Some systems have very rocky soils and the water does not puddle up making the leaks difficult to find. Staff does use leak detection devices and the leaks still do not show up. The Commissioners and staff discussed the individual systems and reasons for the losses. Some of the future improvements will alleviate the water loss issues. Staff is doing a good job on watching for signs of leaks and reporting back to OM Gubbe.

Discussion - 2014 Budget

GM Weidenfeller reported to the Commissioners that one of the roles of the General Manager under RCW Title 54 is to provide the Board of Commissioners an annual budget. He reported that CFO Parker did a wonderful job of working with OM Gubbe to provide the Commissioners with a preliminary budget at the last meeting. After the meeting, GM Weidenfeller and CFO Parker sat down and went through the budget very thoroughly and made some refinements. GM Weidenfeller and CFO Parker answered the questions the Commissioners had from the last meeting. They were able to bring the 6% rate increase in Option 3 down to a 4.15% rate increase. Option 3 is the option GM Weidenfeller recommends to the Board. If the Board does not choose Option 3, the GM requested the Board of Commissioners provide a COLA to the employees who have not had a cost of living allowance (COLA) increase in two years. He asked for questions from the Commissioners.

Several issues were discussed including vehicle replacement, the cost of service study, the asset management plan, revenues for 2013 and 2014, and the reserve accounts.

CFO Parker reported on 2013 water revenues in response to questions from the Commissioners.

The cost of service study and the PUD's portion of the City of Olympia rate study are not included in the 2014 Budget.

GM Weidenfeller said if the Board accepts Option 3, as a viable way to get things done, the increase should be applied uniformly between the base and consumption rates. The rates would become effective January 1, 2014. He also recommended that the 2014 rate increase include a revenue adjustment mechanism like the 2013 budget did and provided the Commissioners a copy of Resolution 12-23 that included the revenue adjustment mechanism. The Commissioners discussed rates and rate development and approved bringing Option 3 of the budget with a uniformly applied increase between the base rate and the tiered consumption rates forward and include a revenue adjustment mechanism. The resolutions for the budget and rates will be brought forward to the next meeting under the *Discussion* agenda item.

Discussion - PUD Rate and Surcharge Policy

GM Weidenfeller asked the Commissioners if they had a chance to review the information paper he sent them; all three Commissioners said they had. GM Weidenfeller also sent a draft resolution to the Commissioners in advance of the meeting.

Commissioner Stearns explained there are three types of systems served. One factor is the different system sizes, another factor is the various counties the systems are located in and another factor is purchased water agreements. These are all factors to be considered in setting rates.

Commissioner Olsen said in general terms he wants to see uniform rates across the PUD. The PUD has agreed to provide service to each of its customers. He asked if we receive funding to fix a system that we would fix anyway, why should that be a higher cost to the customers of that system. There are good reasons to use surcharges so that new system acquisitions come in whole, and do not burden current ratepayers, or to provide customers options to pay for improvements they want to have that are not public health requirements like generators or water quality improvements that are not related to safe drinking water. Commissioner Oosterman added the example of health insurance; if the costs go up everybody pays. She added in the future if we acquire a water system they should come in whole, or the owner should make the improvements prior to the PUD acquiring the system. Commissioner Stearns added that if improvements are made and costs savings are incurred, the cost of improvements will be spread across all systems.

Commissioner Oosterman suggested the draft be re-written to look more like a policy where exceptions can be considered. Commissioner Olsen added he would like the policy to clearly state if the PUD is going to acquire a system it will be a whole system.

The Commissioners discussed surcharges for optional improvements and future acquisitions.

The Commission approved bring a resolution to establish policy on rates and surcharges at the next meeting.

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager
GM Weidenfeller provided the Commissioners a report in writing.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided the Commissioners a report in writing. OM Gubbe also reported some work was done on the Elk Heights treatment system. OM Gubbe said she is very pleased with the work that was done and the Field Technicians learned a lot about operating the system. The staff will now be making the same improvements to two other systems with treatment.

Commissioner Olsen asked about the Prairie Ridge water system. OM Gubbe said the contractor is on vacation and they will do the final tests when he returns. She has received a comment from

a customer who said the pressure is better. The pressure on the system is consistent and she is anxious to see the reduction in the power bill.

Commissioner Stearns asked about the Huntington Road properties. OM Gubbe reported the properties are in Lewis County, in the Salkum area. She will make sure the systems are in good order prior to bringing it to the Commissioners.

Commissioner Oosterman asked if there were in changes in the Lew's 81st project. OM Gubbe reported she is talking to the homeowner about an easement; they seem to be receptive to an easement. The Engineer is working on a draft easement for the property owner's review.

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

Commissioner Topics, Discussion and Reports: (Russ, Linda, Chris)

Commissioner Olsen said he worked the PUD Booth at the Harbor Days festival on Sunday and that GM Weidenfeller worked with him. Commissioner Stearns had worked in the Booth on Friday and Saturday. Commissioner Olsen thanked all who participated in pulling things together for the PUD Booth. Commissioner Oosterman said she has received feedback regarding the event.

Commissioner Oosterman said she has not recorded the meetings she has attended if she is not requesting reimbursement. Commission Stearns suggest she do so because it puts on record the amount of time she spends on behalf of the PUD.

Commissioner Olsen is leaving to Denver for training on Sunday and will be back on Friday. He will also be gone October 28th, 29th and 30th in Washington D.C.

The Commissioners discussed the Leavenworth conference, how they will travel and reimbursement policies.

Commissioner Stearns attended the TRPC Sustainability meeting and the regular TRPC meeting. TRPC is finishing their final product. There is a symposium coming up for the Sustainability group on green design on October 26th at SPSCC. Commissioner Sterns will attend the WPUDA Association meetings the week of September 16th.

Action Items:

Resolution 13-23, Contract with SAIC for Cost of Service and General Facility Charge Rate Study - Commissioner Olsen made a motion to accept Resolution 13-23, Contract with SAIC for Cost of Service and General Facility Charge Rate Study, Commissioner Oosterman seconded, Commissioner Stearns clarified this does not include the rate study with the City of Olympia. Commissioner Oosterman seconded, all in favor.

Resolution 13-24, Tanglewilde-Thompson Place DWSRF Loans – Commissioner Stearns called for a motion to approve Resolution 13-24. Commissioner Oosterman made a motion

to approve Resolution 13-24 to decline the Tanglewilde-Thompson Place DWSRF Loans, Commissioner Olsen seconded, all in favor.

Summary of Assignments:

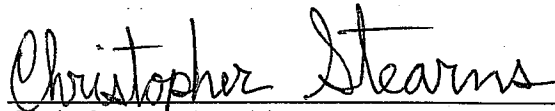
Submit the narrative approved by the Commissioners for the TRPC Profile. .

Advertise the October 7th 5:00 p.m. meeting and cancel October 8th Commission meeting.

CFO Parker will prepare rates to support Option 3 of the budget.

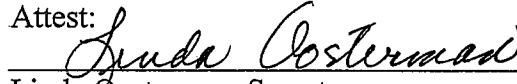
Adjournment:

Commissioner Oosterman made a motion to adjourn the meeting at 7:37 p.m., Commissioner Olsen seconded, all in favor.



Chris Stearns, President

Attest:



Linda Oosterman, Secretary