

**MINUTES OF THE REGULAR MEETING OF OCTOBER 22, 2013
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for October 2013 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, October 22, 2013, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Chris Stearns and Linda Oosterman were present. Commissioner Russell Olsen called in for the meeting. 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), Joe Rehberger, Chief Legal Counsel, and Cathy Skiles, Clerk to the Board.

Call to Order:

President Commissioner Stearns called the meeting to order at 5:03 p.m.

Approval of Agenda: President Commissioner Stearns
Commissioner Oosterman made a motion to approve the Agenda, Commissioner Olsen seconded, all in favor.

Consent Calendar:

Approval of Minutes: October 7, 2013 Meeting

Prequalification of Contractors – Small Works Roster:

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 10/9/13, 10/11/13, 10/16/13

Payroll 10/21/13

Resolutions:

Other: Increase the Approved Budget for Line Item 43 Leak Detection/Repair from \$30,000 to \$50,000

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

Commissioner Stearns asked for a summary of the Consent Agenda item, *Increase the Approved Budget Costs for Line Item 43 Leak Detection/Repair from \$30,000 to \$50,000*. OM Gubbe explained there was not enough money in the CIP budget to repair all of the leaks that needed to be repaired this year. Staff is asking to amend the 2013 Budget to transfer budgeted CIP funds from another category to Line Item 43 so leak repairs can be funded through the rest of 2013. CFO Parker will prepare an amendment to the budget for the next meeting.

Public Comments: None

Public Hearing: None

Action Items:

Resolution 13-32 Intertie and Wholesale Water Agreement with the City of Lacey for the Covington Water System.

GM Weidenfeller stated this Agreement has been reviewed by staff and Chief Legal Counsel. The agreement will solve the arsenic mitigation issue for the Covington water system. Commissioner Stearns confirmed the agreement has been approved by the City of Lacey City Council.

Commissioner Oosterman made a motion to approve Resolution 13-32 Intertie and Wholesale Water Agreement with the City of Lacey for the Covington Water System, Commissioner Stearns seconded, all in favor.

Information or Discussion of Operations/Policy Issues:

Lew's 81st, Jenni and Woods Water System Improvements

GM Weidenfeller stated Commissioner Oosterman, OM Gubbe, engineers and he met with the customers of the Lew's 81st, Jenni and Woods water system community on July 31, 2013. The project was initiated to combine two Class B water systems and a small Class A water system and to move forward with the permitted ground water rights. The community had concerns about the proposed location of the storage tank, which would be a new facility that is 20 feet high near the entrance to the Lew's 81st water system. After investigation and conversations with the property owner where the Jenni well is located, the owner agreed to provide an easement on his property for the storage tank. Compensation for the easement will be no charge for water service to the owner for two years, with some limitations. The total additional cost is estimated to be approximately \$11,000. GM Weidenfeller asked for the Board's decision on the project. Commissioner Olsen asked if the Board approves this would it set a precedent for other decisions like this in the future. Commissioner Stearns said he does not disagree with customer participation but the PUD should not allow customers to dictate how future projects are designed. Commissioner Oosterman explained there was a lot of community participation and the customers are not asking for unreasonable things. She noted that the art project at the Tanglewilde-Thompson Place was an example of added project costs that supported the community and this project also provides for an additional 100 connections that will pay general facility charges. GM Weidenfeller noted the Commissioners concerns are valid and this is a policy issue. The Board could decide if all projects should be the completed at the least cost that is most efficient from an engineering point of view, or if the PUD should work collaboratively with the communities where we serve water for an optimal decision that is best for the community. GM Weidenfeller stated the \$11,000 expected cost increase is less than a 3% cost increase to the \$325,000 project. Commissioner Olsen supports the project but the wording of the approval is very important. Chief Legal Council Joe Rehberger will work with staff to draft an agreement that is favorable to the PUD. The GM noted that the Board had made a decision to continue the PUD's modified postage stamp water rates and limit how surcharges are used so no surcharges would be made to cover additional construction costs.

Commissioner Oosterman made a motion to authorize to the GM to approve a contract for two years of water, with limits, for the owner of the property where the Jenni well is sited, in consideration for an easement to place the reservoir at the Jenni well site; to authorize

the siting of the reservoir at the Jenni well site, and provide funding of any additional costs that can not be covered by the DWSRF loan from by PUD's CIP Fund, and; to approve, as a basic standard, installation of transfer switches at the PUD's water systems, to include the Lew's 81st site, so the District has the capability to use generators to provide back-up power at our water systems. Commissioner Stearns seconded, all in favor.

These costs are expected to be \$11,300 and would need to be covered by the CIP fund if the DWSRF loan does not cover them. The final costs will not be known until the project is over.

Low Income Assistance Program (Counsel Rehberger)

Chief Legal Counsel Rehberger was tasked to answer two questions. First, can the PUD provide funds to the Low Income Assistance Program? He said that the PUD can not provide funds for the low income assistance program. The PUD has a responsibility to provide fair and non-discriminatory rates. There has been one AGO ruling on this.

The second question was, "Can PUD Commissioners and staff contribute to the fund?" The answer is yes, as long as it is strictly voluntary and there is no reward, recognition or benefit for making contributions.

Chief Legal Counsel Rehberger reported he did find the PUD can set low income rates. The caveat is the rate has to be applied uniformly and equally available to all customers in all service areas. The PUD would have to define what it means to be low income. He provided a memo to the Commissioners outlining his findings.

The Commissioners and staff discussed who qualifies under the current program and the staffing needed to expand the program in the future.

75th Anniversary

GM Weidenfeller reported he has gotten some prices on items with the anniversary logo on them: cups, water bottles, lapel pins and hats. Quantities were discussed and since we would not be ordering in large quantities, the prices are higher. The PUD has a budget of \$2,500.00 for the anniversary. GM Weidenfeller also suggested holding an open house. The Commissioner agreed on an open house; the GM will work with Commissioner Olsen to set a date.

GM Weidenfeller asked the Commissioners to look at the clothing items and place their order by early next week. The clothing items will have the 75th Anniversary logo on them.

Holiday Gatherings – November 22 & December 5

GM Weidenfeller explained that traditionally the PUD has a Thanksgiving Holiday gathering with a potluck dinner. Staff has proposed having a pizza party instead, starting at 3:00 p.m. on November 22, 2013.

On December 5, 2013 at 3:00 p.m., there will be a potluck with a turkey. A voluntary gift game will be led by OM Gubbe. Gifts must be \$10.00 or less in value.

Both events will be advertised so the Commissioners can attend.

Strategic Plan - Commissioner Expertise and Deliverables Based on that Expertise

GM Weidenfeller thanked the Commissioners for their input on the "Commissioner Expertise and Deliverables Based on that Expertise" action step in the Strategic Plan. He provided the Commissioners a draft summary of their input. He suggested they look at it and discuss it at the next meeting.

Commissioner Stearns asked if Commissioner Olsen has seen the State go to the level of emergency management the PUD is proposing. Commissioner Olsen said all agencies are different, but yes his emergency response plans are very comprehensive. GM Weidenfeller reported on an event that occurred in Pierce County recently.

Commissioner Stearns reported he has been looking at the Cost of Service study, that Commissioner Olsen is the lead on this and does not want to step on toes. Commissioner Stearns explained he has some areas of communication and would he like to participate on that level. Commissioner Olsen stated he does not have a problem with participating together.

Legal Report:

Update on Water Rights and Court Cases

Chief Legal Counsel Joe Rehberger reported on a few of the water rights issues and applications on file with the Department of Ecology. The Tanglewilde water right Qi (pumping capacity) is moving along. The consulting firm Pacific Ground Water Group is working on it. This approval would relieve the PUD from having to contract with the City of Olympia for the water capacity to meet peak demand requirements. The application also requests additional water right Qi to meet the PUD demands for the next twenty years. He anticipates the outcome to be favorable. He described the details of the application to the Commissioners.

Chief Legal Counsel Joe Rehberger reported the Garden Acres water right consolidation process is on hold. This is an issue involving three Group B systems and the application is to combine the systems to create one Group A water system with the needed water right to go with it. The Department of Ecology is trying to address the issue that each exempt well is allowed to pump 5,000 gallons per day. While making such a change application, the Department of Ecology looks at the past three years of water use. Based on the historical water use of these customers, approximately 2/3 of the existing allowable water production will be lost if the PUD consolidates these systems as a Group A water system. The Department of Ecology staff is discussing on how they will address this issue.

Chief Legal Counsel Rehberger reported on some Department of Ecology court case rulings and he will report more at the next meeting.

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing. He provided the Commissioners with registration forms for the November WPUA meetings. He told Commissioner Olsen the other Commissioners have taken care of his per diem report for October.

GM Weidenfeller reported he received a response from the Cougar Ridge water system to our acquisition letter and they have some interest.

GM Weidenfeller reported he, the OM and CFO met with Steve Hatton, P.E regarding the Webster Hill acquisition; he will have more information in the coming month or two.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing. She added that the meeting with the managed Delphi Water System Board on October 21 went very well. The Delphi Association has a new Board. The prior President of the Board attended the meeting and was able to explain the reasons the PUD was brought on as a management agency. The new Board's main concerns are the water use efficiency program and the installation of meters.

Commissioner Stearns asked about the Terry Lane booster pump replacements. He asked if the project will completed by the end of the first week of December. OM Gubbe stated there will not be operational issues through the holidays because the PUD has an intertie with the Spanaway Water Company.

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

CFO Parker provided a report in writing. The financial reports provided are the quarterly financials so there is extra information in the report. She asked the Commissioners for questions. CFO Parker and OM Gubbe will provide a Capital Budget amendment at the next meeting.

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

Commissioner Oosterman stated that she and Commissioner Stearns deserve combat pay for the WPUA Commissioner meeting they attended. Some of the Commissioners were out-of-line with comments they made along the lines of solar energy; they were less than professional. She and Commissioner Stearns heard a report on indemnification issues and participated in the Commissioner Round Table discussions.

Commissioner Stearns reported he attended the Commissioner Round Table. The TRPC met, the meeting was primarily about transportation. He has signed up to be on the group to plan the TRPC calendar for next year.

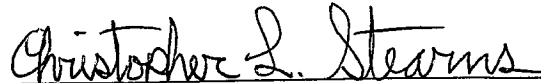
Commissioner Stearns attended the Sustainability Plan meeting. There were a few amendments, nothing of significance. The Mayor of Olympia voted against parts of the plan due to concerns about Olympia flooding.

Summary of Assignments:

CFO Parker - prepare an amendment to the 2013 Budget for the next meeting.


Adjournment:

**Commissioner Oosterman made a motion to adjourn the meeting at 7:00 p.m.,
Commissioner Olsen seconded, all in favor.**



President, Chris Stearns

Attest:



Secretary, Linda Oosterman