

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

The first regular meeting for December 2013 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday December 10, 2013, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 6:00 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), Joseph Rehberger, Chief Legal Counsel, and Cathy Skiles, Clerk to the Board. Kim Gubbe, the District's Operations Manager (OM), was excused from the meeting.

**Commissioner Stearns called the general meeting to order at 6:02 p.m. This is the last meeting of 2013.**

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

**Consent Calendar:**

Approval of Minutes: November 19, 2013 Meeting  
November 22, 2013 Meeting  
November 26, 2013 Meeting  
December 5, 2013 Meeting

Prequalification of Contractors – Small Works Roster:

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 11/27/2013, 12/04/2013

Payroll 12/5/2013

Resolutions: Resolution 13-35 Revision to Resolution 12-05 Safety Clothing Reimbursement

Other: Declarations of Emergency Waivers of Small Works Roster Competitive Bidding

Requirements, RCW 39.04.280(2) Frick and Brown Water Systems

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

**Public Comments: None**

**Public Hearing: 2014 SMA Fees and Charges**

**Commissioner Stearns opened the Public Hearing at 6:07 p.m.**

CFO Parker explained that the proposed 2014 SMA fees and charges are cost-based. They are charged to the PUD's contract customers for services provided. A letter was sent to all of the SMA contract customers. The letter showed the current 2013 charges compared to the proposed 2014 charges. CFO Parker received a couple questions from SMA Board Members clarifying that the PUD will not be charging the PUD's rates to their customers.

**There being no Public present for comment, Commissioner Stearns closed the Public Hearing at 6:12 p.m.**

**Action Items:**

**Resolution 13-28, 2013 Operating Budget Revision**

CFO Parker stated Resolution 13-28, 2013 Operating Budget Revision, is the final adjustment to the 2013 Budget. Commissioner Olsen asked about the NoaNet study charges carrying over to the 2014 budget. He feels NoaNet did not fulfill their services and there is no future in further communications. The GM was asked to notify NoaNet. **Commissioner Olsen made a motion to approve Resolution 13-28, 2013 Operating Budget Revision, Commissioner Oosterman seconded, all in favor.**

**Resolution 13-30, SMA Fees, Effective January 1, 2014**

CFO Parker reported Resolution 13-30 adopts the 2014 SMA Fees; a letter was sent to the SMA clients advising them of the increases. CFO Parker recommends approval.

**Commissioner Oosterman made a motion to approve Resolution 13-30, Commissioner Stearns seconded, all in favor.**

**Resolution 13-36, Contract Amendment with Cascadia Law**

GM Weidenfeller stated this refers to the contract the PUD has with Mr. Rehberger and his firm. This contract will increase his retainer by \$200.00 per month. At this time, there is no change to the \$175.00 per hour charge for other services outside the retainer. GM Weidenfeller recommended increasing the retainer by \$200.00 per month because Cascadia Law is providing more services than the PUD is paying them for. The Commissioners discussed the services that are being provided. GM Weidenfeller confirmed the firm is very responsive to the PUD's needs. **Commissioner Olsen made a motion to accept Resolution 13-36 Contract Amendment with Cascadia Law as outlined, Commissioner Oosterman seconded, all in favor.**

**Information or Discussion of Operations/Policy Issues:**

**Cost of Service Study, Presentation by Andrew Baker and Art Griffith, Leidos (formerly SAIC).** CFO Parker introduced Mr. Baker and Mr. Griffith of Leidos and they provided a presentation.

Andy Baker provided an overview. First he will look at the process; it is fairly standardized and will then talk about the schedule or timeline for the project. Thirdly, the Consultants will discuss some policy issues that need to be addressed. There will be no decisions tonight. Commissioner Olsen said he would like to see a schedule of when decisions need to be made. Commissioner Stearns stated the PUD has just been through the rate process with rates that go into effect 1/1/2014.

Mr. Baker described the overall rate process as two main pieces. The first is the revenue requirement which is identifying overall expenses and revenues, then projecting those revenues and expenses over the study period. The next stage is developing the cost of service and rate design, or how to collect the revenue needed. The rate study period is out to 2025.

Mr. Baker provided the Commissioners a schedule for the rate study. Mr. Baker described the outline with a completion date of December 2014. Actual adoption of rates will follow.

Mr. Baker discussed questions that may come up during the rate study. The consultants discussed the Asset Management Plan (AMP) and the financial impact. Mr. Baker provided a list of actual expenses from 2012, broken up into categories; General fund, O&M expenses, Employee Salaries and Benefits, and other O&M expenses including debt service. He then showed a comparison to the 2014 budget. Mr. Baker also compared the 2012 revenue to the 2014 budgeted revenue. He went on to describe the assumptions used to develop the projected revenue requirements. Using the described assumptions, the increased revenue requirement would be between 6.2% and 8.5% increase per year. Mr. Baker explained the quicker the increase, the less the increase needs to be in the end. There are choices to be made, rates and surcharges are the primary ways of generating revenue. Commissioner Stearns discussed rate elasticity and ways to prepare customers so the increases do not come as a shock. Commissioner Oosterman asked for some comparisons to other entities.

Mr. Baker asked the Commissioners if they, the Consultants, are on the right track. Commissioner Olsen said what he has heard is on the right track. He would like to focus on the three to four year package. He stated at 4%, it is accepted as the cost of doing business. When you get to 6% to 8% increases, the Commissioners will need to speak to that. Commissioner Stearns suggested breaking the study into three four year blocks including 2014 that include AMP projected infrastructure needs. This will allow the Board to adjust to changes that affect the plan. Mr. Griffith confirmed they could bring back four year scenarios, including 2013, so the Commissioners can review the plan in four year blocks and adjust to actual costs and replacement needs to demonstrate to the customers what the PUD is doing and has accomplished along with demonstrating what needs to be done. The Commissioners and staff discussed the Bond rating and the things that affect the rating. The presentation concluded.

GM Weidenfeller asked the Board if it was possible to move to the CFO Report at this point in the meeting so the CFO could be released.

**Commissioner Oosterman made a motion to move CFO Parkers report to this point in the meeting, Commissioner Olsen seconded, all in favor.**

**Chief Financial Officer Report:** Julie Parker, Chief Financial Officer Financial Variance Report (every 4<sup>th</sup> week's meeting)

CFO Parker reported there was a question at the last meeting about the credit card fees. It was suggested that she look at ways to discourage customers from using their credit cards for payments. She reviewed the payments the PUD is receiving and the historical cost of processing the payments. At this time she does not recommend charging the customer for paying by credit

card. Approximately 28% of the revenue is coming in through credit card payments. She discussed the benefits of accepting payments by credit card. CFO Parker and the Commissioners discussed the options of credit card payments. Commissioner Stearns stated since taking credit card payments by phone has relieved field staff of collecting payments in the field, he wants to make sure that too much of the burden has not shifted to the office staff. CFO Parker will look into setting up re-occurring payments on credit cards and bring information back to the Commissioners. CFO Parker provided the Commissioners with the number of payments and the total amount collected by month for the past four years.

**2014 Board of Commissioners Elections, Organizational Assignments, and a Review of the Per Diem Policy**

Commissioner Stearns stated he requested this item be placed on the Agenda. He recalls agreeing to allow the Commissioners to attend any meeting they wished to attend in 2013. He recommended changing this policy in 2014 so that the unassigned Delegate that attends meetings would not be compensated for attending the meeting. GM Weidenfeller suggested the Board allow multiple Commissioners per diem when attending the WPUWA Water Committee meetings and the WPUWA Water Workshop.

Commissioner Stearns reported he does not plan on serving as President of the Board in 2014 and suggested the Board hold elections which they did.

**Commissioner Olsen made a motion to elect Commissioner Oosterman as Chair to the Board of Commissioners for 2014, Commissioner Stearns seconded, all in favor.**

**Commissioner Olsen made a motion to elect Commissioner Stearns as Vice Chair to the Board of Commissioners for 2014, Commissioner Oosterman seconded, all in favor.**

**Commissioner Stearns made a motion to elect Commissioner Olsen as Secretary to the Board of Commissioners for 2014, Commissioner Oosterman seconded, all in favor.**

Commissioner Olsen thanked Commissioner Stearns for his support and training over the past year. Commissioner Stearns thanked his fellow Commissioners for their work on the Commissioner Goals. Commissioner Oosterman concurred with Commissioner Olsen and his statements.

Commissioner Olsen stated he will not attend meetings outside the PUD that he is not assigned to. He will support secondary representation at meetings without per diem. Commissioner Oosterman agrees with Commissioner Olsen's statement for local meetings, she may attend meetings but does not expect compensation. She does support all Commissioners attending WPUWA meetings that directly relate to water and collecting per diem at those meetings.

The Commissioners discussed adding "Rate Study" to the Commissioners Organizational Matrix. It was not added, but Commissioner Olsen will act as lead. Outlined below are the updated Committee Assignments:

**Commissioner Organizational Assignments in 2014**

**WPUDA Board Member:** Commissioner Stearns Primary Delegate (P), Commissioner Oosterman Alternate Delegate (A)

**WPUDA Government Relations and Communications:** Commissioner Oosterman (P), Commissioner Stearns (A)

**WPUDA Water:** Commissioner Oosterman (P), Commissioner Olsen, Alternate No. 1 (A#1), Commissioner Stearns Alternate No. 2 (A#2).

**WPUDA Education:** Commissioner Oosterman (P)

**Thurston Regional Planning Council (TRPC):** Commissioner Stearns (P). Commissioner Olsen (A#1), Commissioner Oosterman (A#2).

**Nisqually WRIA:** Commissioner Olsen (P), Commissioner Oosterman (A#1), Commissioner Stearns Alternate No. 2 (A#2).

**Chehalis Partnership:** Commissioner Stearns (P). Commissioner Olsen (A#1), Commissioner Oosterman (A#2).

**Deschutes TMDL:** Commissioner Oosterman (P), Commissioner Stearns (A#1), Commissioner Olsen (A#2),

**Emergency Management:** Commissioner Oosterman (P)

**Thurston County Economic Development Council (EDC) (If Position Becomes Available):** Commissioner Olsen (P),

**Telecommunications:** Commissioner Stearns (P), Commissioner Olsen (A#1), Commissioner Oosterman (A#2).

**Strategic Plan:** Commissioner Olsen (P), Commissioner Stearns (A#1), Commissioner Oosterman (A#2).

**Options for Greater Efficiency:** Commissioner Stearns (P)

Commissioner Stearns reminded the Commissioners they need to sign-in at meetings they attend. He referred the Commissioners to the per diem form. There is a statement and a space on the form where Commissioners can waive a portion of their pay. Last year, Commissioner Stearns waived a portion of his pay. Effective January 1, 2014, he will no longer waive a portion of his pay so he can pay for his medical insurance. He noted that Thurston PUD is the only PUD in the State that does not provide medical coverage for their Commissioners. Commissioner Stearns

does not want to cause disharmony amongst the Board over requests for per diem. The Commissioners discussed circumstances when per diem is and is not appropriate.

#### **Funding for Watershed Planning**

Commissioner Stearns stated the PUD gave a onetime contribution of \$1,200.00 last year to the Chehalis Partnership and asked if the PUD would be interested in doing it again. After discussion, **Commissioner Stearns made a motion to contribute \$300.00 to the Chehalis Partnership for 2013, Commissioner Oosterman seconded, all in favor.**

**Legal Report:** None

#### **Staff Presentations:**

**General Manager's Report:** John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing. He told the Commissioners Thurston PUD's requests for Drinking Water State Revolving Fund loans were not approved by the State Department of Health Office of Drinking Water. Those DWSRF loan requests were for the Tanglewilde-Thompson Place Isolation Valves (\$667,000), Crowder Road water system main replacements (\$97,000) and the Travis Jack Booster Pump Replacement (\$124,000).

GM Weidenfeller informed the Commissioners the PUD has a hydrant on private property and the fire department was not able to use it for fire suppression without using a special wrench. GM Weidenfeller has been working with Thurston County to find a way to address these public safety needs. He has asked there is a way the PUD, County and Lacey Fire District could partner to address these issues now and in the future.

GM Weidenfeller reported some of the PUD's water systems have iron and manganese levels that can affect customers, but which are not high enough for the PUD to be required by the State to treat the water. Recently a customer submitted a Claim for Damages form in which he said the PUD was negligent for malfunctioning purification of water. GM Weidenfeller explained when a customer threatens liability he turns the claim to the insurance pool, which will make a decision on the claim. GM Weidenfeller asked for the Commissioners input on whether the PUD should do anything monetarily for the customer. It was the opinion of the Commissioners that the PUD is doing what is legally required.

GM Weidenfeller stated there was a frozen meter in Packwood. The contract operator was not available to respond immediately so the customer was told the PUD would respond within 24 hours.

**Operations Manager's Report:** Kim Gubbe, Operations Manager, was excused from the meeting but submitted a report in writhing.

#### **Commissioner Topics, Discussion and Reports:**

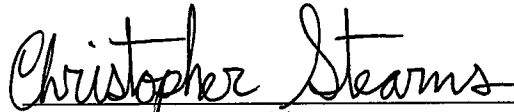
Commissioner Stearns reported he attended the TRPC meeting and the other Commissioners provided updates.

**Summary of Assignments:**

1. GM Weidenfeller will note the updated election and organizational assignments and notify the appropriate organizations of any changes.
2. Address the Board's questions on the COS and come back with three four year scenarios for capital improvement needs.
3. The CFO will compare the PUD's rates to similar organizations.
4. Commissioner Olsen will assist with the COS study.
5. The OM will review and make recommendations for Asset Management Plan priorities for three four year blocks.
6. Contact NoaNet and regarding the final report that was not received and the \$2,400 payment.
7. The CFO will look into setting up re-occurring payments on credit cards.
8. Contact the Chehalis Partnership and ask them to invoice the PUD for the \$300.00 contribution for 2013.

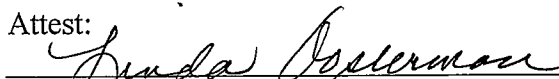
**Adjournment:**

**Commissioner Olsen made a motion to adjourn the meeting at 8:00 p.m., Commissioner Oosterman seconded, and the meeting was adjourned.**



Chris Stearns, President

Attest:

  
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Linda Oosterman, Secretary