

**MINUTES OF THE REGULAR MEETING OF APRIL 8, 2014  
OF  
PUBLIC UTILITY DISTRICT NO. 1  
OF  
THURSTON COUNTY, WASHINGTON**

The first regular meeting for April 2014 of the Commissioners of Public Utility District No. 1 of Thurston County was called to order on Tuesday, April 8, 2014, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Linda Oosterman, Chris Stearns 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 Oosterman called the regular meeting to order at 5:00 p.m.**

**Approval of Agenda:**

**Commissioner Olsen made a motion to approve the agenda as presented, Commissioner Stearns seconded, all in favor.**

**Consent Calendar:**

Approval of Minutes: March 25, 2014

Prequalification of Contractors – Small Works Roster:

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 3/26/2014, 4/2/2014

Payroll 4/4/2014

Resolution: Resolution 14-05, Adoption of WSP Part A and SMA Plans

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

**Public Comments: None**

**Public Hearing: Resolution 14-08, Tanglewilde-Thompson Place General Facility Charge**

**Commissioner Oosterman opened the Public Hearing at 5:06 p.m.** Commissioner Oosterman stated people were invited to comment on Resolution 14-08. No members of the public testified. GM Weidenfeller stated the purpose for Resolution 14-08 is to adjust the Tanglewilde-Thompson Place general facility charge (GFC) from \$4,700.00 to \$3,000.00. The reason for lowering the GFC is that the PUD will no longer be under a contract with the City of Olympia to pay approximately 58% of the Tanglewilde-Thompson Place GFC charge to the City. Resolution 14-08 will be brought forth at a future meeting for approval and signature.

**There being no further comments, Commissioner Oosterman closed the Public Hearing at 5:09 p.m.**

**Action Items: None**

**Discussion Items:**

**Presentation – Cost of Service Study Recommended Options**

CFO Parker stated the purpose of her presentation is to share with the Commissioners the recommended options of the Consultant and staff as a result of the cost of service study (COS). She will be discussing recommendations for rate increases and capital improvement surcharges, and the possible addition of a low income rate option.

CFO Parker, staff and the Commissioners discussed capital improvements needed in 2014 and into the future. The priority and funding of capital improvements were discussed. Commissioner Stearns noted that bond funds have been used for the acquisition of water systems in the past and he asked CFO Parker if the new proposal limits the PUD from acquiring systems. CFO Parker explained she is looking at other methods of financing acquisitions. GM Weidenfeller explained in the future the PUD will float a bond to refinance the existing bond and to provide future capital financing.

The Board and staff discussed a draft rate and capital surcharge scenario. Staff proposed implementing a capital improvement surcharge in 2015. Part of the surcharge could replenish capital improvement reserves; the balance could fund future projects. In this scenario, the Consultant projected a 2% annual increase in rates to pay for operations, maintenance and the PUD's existing debt until 2020. A capital improvement surcharge was projected to start in 2015; this surcharge is proposed to be \$1.00 per month per customer. The Consultant recommended increasing the surcharge annually. The revenue collected from a proposed surcharge would be used for capital improvements only. The proposed surcharge could fund the capital improvement needs through 2026. Existing customer surcharges could go away.

CFO Parker pointed out the assumed 2% per year revenue increase also funds the operating reserve. The PUD currently has 90 days in operating reserves, these rates would bring the reserves up to 120 days by 2018.

CFO Parker mentioned the handout provided that shows the net percentage increase for customers. She showed with this scenario how the discounted rate would impact customers not receiving a discount. CFO Parker also discussed the projected rates and the effect at different consumption levels.

GM Weidenfeller asked the Commissioners if a 2% annual increase is acceptable to them. Commissioner Olsen stated he is agreeable to move forward in the public process with a projected 2% increase; he added the plan still needs a lot of review before committing to the increase and it could be higher. The Board determined by consensus that the COS projects out to 2020; 6 years.

The Commissioners and staff discussed future bonding needs.

**Discussion and Selection of Community Meeting Dates – Pierce, Lewis and Thurston Counties**

GM Weidenfeller asked for input from the Commissioners for meeting dates in June and July at 7:00 in the evening. The Commissioners approved scheduling meetings in Lewis and Pierce Counties on June 3, 4, 11, 17, 18 or 25 and Thurston County meetings on July 9, 15 or 16, or if necessary July 2. The meetings will be advertised in the local newspapers.

**Low Income Assistance Rate**

A low income, senior, and disabled rate was discussed. GM Weidenfeller asked the Commissioners for input on looking into a low income, senior and disabled discounted rate. Commissioner Oosterman stated this needs to be thought about more, there are some who need a lower rate and would not qualify. She is comfortable with the District's existing low income assistance program. Commissioner Stearns agreed with Commissioner Oosterman. He added the PUD just started a low income assistance program and he would like to get that program off the ground. Commissioner Olsen said he supports a low income, disabled, senior discounted rate and expressed his concern about not helping people in need while increasing water rates for those that can least afford it.

**Information or Discussion of Operations/Policy Issues: None**

**Legal Report:** None

**Presentations:**

**Staff Presentations:**

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

GM Weidenfeller submitted a report in writing. OM Gubbe will report on the Lew's 81<sup>st</sup> project.

GM Weidenfeller reported he received an email from Mr. Gallagher at the Department of Ecology regarding the water rights issue on the Garden Acres water system consolidation project. Mr. Rehberger, the PUD's Chief Legal Counsel, will contact Mr. Gallagher when he returns from vacation.

Commissioner Olsen asked about North Thurston School District RFP and GM Weidenfeller said he has not yet completed the RFP.

GM Weidenfeller has received some title reports for the private acquisition. Commissioner Stearns asked about the Webster Hill acquisition and when the transition will be completed. GM Weidenfeller gave an update on the due diligence activities and on the other potential acquisitions.

Commissioner Oosterman asked about the Lloyd system acquisition. OM Gubbe is working with the owner. The next two acquisitions the OM will be focusing on are the Forest Glen and Cougar Mountain systems.

**Operations Manager's Report:** Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing. She reported on the status of the acquisitions she is evaluating. OM Gubbe made contact with Andy Anderson with Department of Health about funds that may be available to help in the Cougar Mountain acquisition.

OM Gubbe described the Elk Heights water system issues. The electrical panel is old and dilapidated. She has been working to have an engineer review and assess the system. Before the engineer could get out to assess the system, it went down. The reservoir drained and pushed the sediment out through the system. OM Gubbe provided the Commissioners a copy of the letter sent to the customers on Monday morning.

OM Gubbe reported she did review the project report for the Lew's 81<sup>st</sup> project. She commended the consulting engineer's work. She summarized the chain of events that needs to take place before construction begins.

GM Weidenfeller reported the City of Olympia wholesale water contract is on the Olympia City Council Agenda for April 15<sup>th</sup>; he will attend the meeting. The Commissioners and GM Weidenfeller discussed who should attend the meeting and why. If the contract is on the Consent Calendar only, GM Weidenfeller will attend and if it is open for discussion, one of the Commissioners will also attend.

OM Gubbe reported the samples at Terry Lane came back good. The booster pumps will go on-line Wednesday.

**Chief Financial Officer Report:** Julie Parker, Chief Financial Officer Financial Variance Report (every 4<sup>th</sup> week's meeting). **No Report.**

**Commissioner Topics, Discussion and Reports:**

Commissioner Stearns reported that TRPC met earlier this month and approved their by-laws as TRPC is required to do this every couple of years. The meeting discussion has been primarily about the agricultural work they are doing.

Commissioner Olsen attended a meeting with the COS Consultants, GM Weidenfeller and CFO Parker.

Commissioner Olsen will call into the April 22<sup>nd</sup> PUD Commission meeting.

Commissioner Oosterman reported she attended the WPUWA Water Committee meetings and said there were some good presentations from the Department of Health.

Commissioner Oosterman attended the Elected Officials Emergency Management meeting. She saw what a 9.0 earthquake can do. She would like the fire department to come out to the PUD office to explain what should be done in the case of an earthquake. Commissioner Oosterman said she would like to provide the employees information in writing about what they should do to

prepare for an earthquake. OM Gubbe and Commissioner Oosterman discussed what they learned from the presentation. They continued to discuss things the PUD could do in the event of an emergency.

Commissioner Oosterman reported the Deschutes meeting was canceled.

**Executive Session: None**

**Summary of Assignments:**

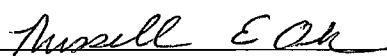
Schedule the community meetings.

Inform consultants about the decisions the Board made at the meeting.

Schedule the fire department to come to the PUD to speak to emergency management and disaster preparedness.

**Commissioner Stearns made a motion to adjourn the meeting, Commissioner Olsen seconded, all in favor.**

  
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Linda Oosterman, President

Attest:  
  
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Russell E. Olsen, Secretary