

**MINUTES OF THE REGULAR MEETING OF SEPTEMBER 23, 2014
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for September 2014 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, September 23, 2014, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 5:00 p.m. Commissioners Linda Oosterman, Russell Olsen, and Chris Stearns were present. Also present were John Weidenfeller, the District's General Manager (GM), Kim Gubbe, the District's Operations Manager (OM), Julie Parker, the District's Chief Financial Officer (CFO), Kurin Rosado, Clerk to the Board, and Joseph Rehberger, Chief Legal Counsel.

Call to Order: Commissioner Oosterman called the Regular meeting to order at 5:07 p.m.

Approval of Agenda: Commissioner Olsen made a motion to approve the agenda as amended, Commissioner Stearns seconded, all in favor.

Consent Calendar:

Approval of Minutes: September 9, 2014

Prequalification of Contractors – Small Works Roster: Puget Sound Hardware, Inc.

SMA Contracts: None

Correspondence: None

Travel Approvals: None

Other:

Voucher Approval:

Accounts Payable: September 12, 2014, September 19, 2014

Payroll: September 19, 2014

Resolution: Resolution 14-23 Surplus Resolution

Commissioner Stearns made a motion to approve the modified Consent Calendar as presented, to include Resolution 14-23; Commissioner Olsen seconded, all in favor.

Public Comments: None

Commissioner Oosterman announced that the Public Hearing is scheduled for 7:00 p.m. tonight.

Discussion Items:

Information or Discussion of Operations/Policy Issues:

Telecommunications Work Group on September 22

Commissioner Olsen and GM Weidenfeller attended the Telecommunications Work Group meeting on September 22 at the Washington Public Utility District Association (WPUDA) building in Olympia. The purpose of the work group was to discuss potential projects for each city. Olympia representatives met with NoaNet, identified two different pilot projects, and the representatives would like to move on to a feasibility study. Lacey and Tumwater representatives had requested that TPUD reach out to the Thurston Economic Development Council (EDC), but GM Weidenfeller has not received any response from their office. Tumwater representatives have also met with NoaNet. There was concern from Tumwater about obtaining the resources to fund the project, as they have some infrastructure, but no resources set aside for this purpose. It was reiterated that the purpose of the Work Group is strictly exploration at this time. The Work

Group will be meeting again shortly. In the meantime, Tumwater Councilmember Nicole Hill will follow up on the TPUD's request to the EDC, as she is a member of that entity. Commissioner Olsen and Councilmember Hill will also meet with a member of the Port of Olympia Commission.

Resolution 14-19, Proposed 2015 Budget, Resolution 14-20, Proposed 2015 Rates & Charges, Resolution 14-21, Proposed 2015 Capital Budget & Capital Surcharges, & Resolution 14-22, Proposed 2015 Meter Read Wage and Salary Range

Copies of Resolutions 14-19, 14-20, 14-21, and 14-22 were included with the meeting's agenda packet. If adopted, the resolutions would implement the proposed budgets, rate changes, and capital surcharges for 2015. Resolution 14-22 adopts a salary wage range for the Meter Reader position. As stated at prior meetings, it is the intention of the Board to adopt these resolutions at the September 23 regular meeting. The Board tabled discussion and/or action of the resolutions until after the public hearing has been concluded.

Rate Adjustment Mechanism Briefing

Resolution 12-23, adopted in 2012, contained a clause that authorized the District to adjust metered water revenue for changes in consumption that exceed 2.5% of the prior year. The resolution states that for each 1,000 CCF (hundred cubic feet) deviation (positive or negative), the PUD will change the revenue adjustment charge by \$0.011 per CCF.

An analysis of water consumption for January through August 2014 reveals an increase in usage of 9,148 CCF over the same period for 2013; this amounts to a consumption increase of 5.106%. As the number of customers also increased by 8.4% in 2014, this increase doesn't appear to be related to a change in usage patterns. Therefore, staff recommends no change in the revenue adjustment charge.

CFO Parker has a list of a few former Marvin Road Water Company customers that were not billed by the Marvin Road Water Company, but have been billed since TPUD purchased those water systems. Staff will meet regarding the customer disputes. CFO Parker also calculated the revenue lost for the loss of the WinCo, Wendy's, and the Great Floors service areas. For the remainder of 2014, revenue loss is estimated at \$1,435; for 2015, revenue loss is estimated at \$24,116. These figures aren't as high as previously estimated.

Action Item: Resolution 14-24, Amendment to Water System Plan

The purpose of Resolution 14-24 is to approve the amendment to the District's current Part A Water System Plan (WSP) as directed by the Department of Health (DOH) Office of Drinking Water. Adoption of the resolution allows the PUD to submit loan packets for systems that the PUD is looking to acquire. **Commissioner Olsen made a motion to approve Resolution 14-24 as presented, Commissioner Stearns seconded the motion, all in favor.**

Legal Report: Joseph Rehberger, Chief Legal Counsel

Mr. Rehberger spoke briefly with GM Weidenfeller regarding liability exposure if the PUD's payment system was hacked. Without knowing the facts of the case, Mr. Rehberger advised that the PUD probably wouldn't be liable if the payment system was hacked, unless it could be proven that the information was hacked due to negligence on the PUD's part. The PUD's insurance carrier does provide cyber liability coverage.

The Washington Utilities and Transportation Commission (UTC) published a rule-making notice last week; part of this notice is the exploration of the regulatory avenues that the UTC might have to encourage struggling water systems to be acquired by large private utility companies or public utility districts. While legal counsel has not had a chance to review in depth, the information has been provided to management for review.

At 5:57 pm, Commissioner Oosterman called for a recess of the regular meeting and an eight minute break was observed before calling the executive session to order.

Executive Session: Discussion of Potential Litigation (RCW 42.30.110 (1)(i))

At 6:05 p.m., Commissioner Oosterman announced the Board would enter an Executive Session for the purpose of discussing potential litigation as authorized by RCW 42.30.110 (1)(i) for 10 minutes. The Executive Session was closed at 6:15 p.m. and the Regular Meeting was resumed. No actions were taken.

Commissioner Topics, Discussion and Reports:

Commissioner Stearns reported that there may be some legislative movement in the future for public works funding. This was discussed at the Washington Public Utility Districts Association (WPUDA) meetings earlier this month. WPUDA is also drafting a report regarding telecommunications so that PUD Commissioners and staff have a baseline to work from going forward.

Commissioner Oosterman has upcoming emergency management appointments she will attend, although none of the engagements have a direct connection with the PUD. Emergency management includes preparations for epidemics such as Pandemic Flu outbreaks. Commissioner Oosterman said she would like more attention given to sanitization of the PUD office to help prevent illness.

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a written report. While attending the WPUDA meetings earlier this month, GM Weidenfeller was contacted by a Douglas County PUD employee regarding the Voluntary Employee Benefit Association (VEBA), which provides the funded health reimbursement arrangement (HRA) plan available to governmental employers. GM Weidenfeller was able to help recruit Congressman Denny Heck, through his staff, to sign-on to legislation to allow designated beneficiaries to receive benefits when a participant dies.

Commissioner Stearns, Commissioner Oosterman, GM Weidenfeller, and OM Gubbe will be attending the Water Workshop in Anacortes occurring September 24 through September 26. Staff has received several inquires regarding water system acquisition: two systems in Pierce County (one system with arsenic treatment installed) and another in Thurston County.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a written report. She met with the Cougar Mountain water system homeowners during the past weekend. OM Gubbe explained to the homeowners that water rights

remain with the water system and although they become apart of the PUD, the water rights are for the water system. Overall, the meeting went well, and she will continue her work on the Drinking Water State Revolving Fund (DWSRF) loan packet for that system. When a homeowner vote gets closer, the PUD will provide transparency regarding water rates by mailing this information to homeowners.

Two leaks were recently detected, one at the Elk Heights water system and another at Tanglewilde-Thompson Place. Both have been repaired. During the Public Hearing on September 9, a couple from the Hawk Acres water system had identified a service problem at their property; that issue has since been fixed and the customer had called to thank the Field Supervisor for his diligence in the matter. In addition, OM Gubbe received the results of lead and copper sampling from the Covington water system. The samples exceed the action level for lead/copper. The water source for the system was recently switched to City of Lacey as a water source. Lead and copper levels were not an issue when the Covington well source was used. This issue is caused by the corrosiveness of the water leaching lead and copper from a homeowner's pipes. The City of Lacey is working to rectify the issue. Staff will send a letter to Covington customers to advise them on the situation.

Chief Financial Officer's Report: Julie Parker, Chief Financial Officer

CFO Parker provided a written report. She reported that the Commissioner Meeting Costs budget line item is above the budgeted expenditure, so she will review the actual expenses for a possible adjustment. CFO Parker also reported that the PUD's credit rating of AA- was reaffirmed by Standard & Poor's Ratings Services. Staff will draft a press release regarding the PUD's credit rating.

Travel packets will now be implemented for any Commissioners or staff traveling for business purposes. The packet includes a memorandum and proper forms for documentation and reimbursement. Finally, CFO Parker announced she has received written confirmation from Mary Hall, the Thurston County Auditor, that the PUD can split payment of election costs from every two years to every year. The cost of this year's election is expected to be around \$100,000.

Public Hearing: Commissioner Oosterman called the Public Hearing to order at 7:00 p.m.

CFO Parker explained the proposed budget and water rate increase, as well as the capital surcharge set to begin in 2015. No members of the public were present. **Commissioner Oosterman closed the Public Hearing at 7:05 p.m.**

Commissioner Oosterman reopened the Public Hearing at 7:08 p.m.

Two members of the public arrived around 7:07 p.m. The customers, Doug and Esther Dunn, belong to the Catfish 2 water system in Shelton. The public's comments, questions, and concerns were addressed by the Commissioners and staff. Staff invited the customers to make an appointment if they or their neighbors need further clarification regarding the PUD's rates or procedures. **Commissioner Oosterman closed the Public Hearing at 7:28 p.m. and called for an eight minute recess. The regular meeting was resumed at 7:36 p.m.**

Action Items: Resolution 14-19, Proposed 2015 Budget, Resolution 14-20, Proposed 2015 Rates and Charges, Resolution 14-21, Proposed 2015 Capital Budget and Capital Surcharges, and Resolution 14-22, Proposed 2015 Meter Reader Wage and Salary Range.

Commissioner Olsen made a motion to approve Resolutions 14-19, 14-20, 14-21, and 14-22 as presented, Commissioner Oosterman seconded the motion, all in favor.

Summary of Assignments:

1. Staff will provide the Commissioners with the letter being sent to the Covington water system customers about the lead and copper sampling issue, along with the names of the customers being provided with those letters.
2. Staff will draft a press release regarding the PUD's credit rating.
3. The cancellation of the October 6 Public Hearing will be listed on the website and on September bills. Bills will also include a message about the Customer Survey.
4. Set up meeting with UTC to discuss water systems that may be available.

Adjournment: Commissioner Stearns made a motion to adjourn the meeting, Commissioner Olsen seconded, all in favor. The meeting was adjourned at 7:52 p.m.



Linda Oosterman, Commissioner and President

Attest:



Russell E. Olsen, Commissioner and Secretary