

**MINUTES OF THE REGULAR MEETING OF May 26, 2009
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for May 2009, of the Commissioners of Public Utility District No. 1 was called to order on May 26, 2009, at 921 Lakeridge Way SW, Suite 201, Olympia WA 98502, commencing at 5:00 p.m. Commissioners Alan Corwin, Paul Pickett and Chris Stearns 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 Jennifer Anderson, Clerk to the Board.

Commissioner Corwin called the general meeting to order at 5:02 p.m.

Approval of Agenda:

Commissioner Stearns moved the adoption of the agenda, Commissioner Pickett seconded and all approved.

Public Hearing:

Tanglewilde Pool Rate and Miscellaneous Fees

Commissioner Corwin opened the Public Hearing. No members of the public were present, so no testimony was taken.

Public Comment:

No members of the public were present

Consent Calendar:

Improvement Authorizations

Approval of Minutes: May 12, 2009

Prequalification of Contractors – Small Works Roster

Blue Mountain Mechanical, Inc.

Bob Howard Jr. Construction, LLC

Carman's Construction, LLC

Harlow Construction Co., Inc.

Power Technology

Travel Approvals

Other –

Voucher Approval

1) Accounts Payable 5/13/2009, 5/20/2009

2) Payroll 5/20/2009

Commissioner Pickett moved to adopt the consent calendar, Commissioner Stearns Seconded, all approved.

Presentations

Solar Panels

Vincent Schwent, Ph.D., Spectrum Energy

Mr. Schwent did not attend as scheduled.

Staff Presentations:

General Manager's Report:

John Weidenfeller, GM

The GM presented a written report.

The GM also presented the Board a copy of a letter received from a Terry Lane customer, Ms. Cindy Henry, dated May 22, 2009.

There was some discussion about including communication on the agenda. It was agreed that communication was not needed as an agenda item and should be included as a separate line item in the GM's report.

There was discussion about the content of the letter and how to respond. It was agreed to move ahead to the agenda item for this topic.

Information Discussion of Operations/Policy Issues:

Terry Lane and Crescent Park

The Board and staff discussed shortcomings in system reliability at these two systems, and the approach to determining the wishes of the system residents and homeowners. The Board agreed that the PUD could contribute some funds to the upgrade, equal at least to the amount the PUD would pay to remove hydrants. The rest of the cost would be absorbed by the rate-payers through a special rate for these systems. Commissioner Corwin expressed his desire that if the Board decides to upgrade both systems, the rate increase for both systems should be the same. The response to the ballots being distributed would be used to help the Board reach a final decision how to proceed.

The GM will respond to Ms. Henry's letter.

Operations Manager's Report: Kim Gubbe, OM

The OM presented a written report. Commissioner Pickett would like to see a written conservation program; the OM intends to provide several ideas at the next meeting. There was some discussion about the Tanglewilde Public Meeting scheduled for June 9th. Notice for this meeting will be included on the bill statement being mailed on May 29th.

Chief Financial Officer's Report: Julie Parker, CFO

The CFO presented a written report and asked for questions from the Board. She noted that we have paid approximately \$6,000 in property taxes that were not budgeted because of title issues affecting the properties. State statute exempts the PUD from paying property taxes and once the title issues have been cleared she anticipates this money will be refunded to us. Commissioner Pickett asked about the Terry Lane and Crescent Park line replacement cost; the OM noted the

current budget amount is high because it was calculated based on using a larger line size. She has since determined that the lines can be replaced with the same size line that is currently in place so this cost should be lower than currently budgeted. She also explained that the main problem is that the valves are frozen due to many years of not being maintained before the PUD acquired the system; the systems may need only repair and valve replacement.

Information Discussion of Operations/Policy Issues:

The GM provided a hand out to the Board summarizing the following issues:

Potential PUD refinancing

Commissioner Corwin asked if we have an idea of the size of the bond and it will enable us to pay off the Cashmere Valley Bank. The CFO expects it will be less than \$5 million and it would pay off the Cashmere Valley Bank loan and would also be used for capital expenses. The CFO expects to go for at least a 20 year bond at a fixed rate and have a definite plan for the use. Commissioner Corwin asked that the staff look into offering the sale of some small portion of the bond to local investors to support the local economy.

She will review the capital plan and include as many things as we know about; an option being considered is purchasing some land and constructing a building for the PUD offices. She explained we have less than 2 years left on our current lease, which costs us about \$58,000/year which she feels would be better spent on ownership of a building.

Multiple Policy Issues – Homeowner responsibility for bills, water availability letters (WAL) relating to General Facility Charges (GFC) and Water Availability Fees

The CFO explained the issues affecting WAL's and GFC's. She noted that when a customer pays for a WAL it ties up our capacity but does not lock in a GFC for the customer, which is subject to change at any time. WAL's are non-transferrable; if a customer decides to relinquish the WAL they would get a refund whereas a paid GFC goes with the land and would be transferred to each subsequent owner.

The GM explained that he will be recommending to the Board that they adopt a policy making the homeowners responsible for paying the water bills rather than the tenants and mentioned that other PUD's and most cities already do this. He also explained that most utilities have a policy in effect that requires a customer to pay a base fee whether they are using water or not and he believes this is something we also should be doing. It was noted by Commissioner Pickett that if there is a leak in the system it still has to be repaired whether anyone is using water or not.

The GM will bring these issues back to the Commissioners for action at a later date.

Legal Report:

Mr. Taylor was excused and not present.

Action Items:

None

Resolutions:

Resolution 09-25 Tanglewilde Pool Rate and Miscellaneous Fees

CFO pointed out that in addition to the Tanglewilde Pool Rate, she has also proposed a number of miscellaneous developer-based fees which are designed to help us recover some of our costs related to line extensions and efforts to expand our system.

Commissioner Pickett made a motion to approve Resolution 09-25 Tanglewilde Pool Rate and Miscellaneous Fees, Commissioner Stearns seconded, all approved.

Commissioner Reports:

Commissioner Corwin

Commissioner Corwin will attend the PURMS board meeting in Seattle on June 25th. He discussed some of the management challenges he'd like to have addressed by PURMS.

Commissioner Stearns

Commissioner Stearns reported that he visited Brian Bairds' office and spoke with his aide, about issues concerning the Chehalis River Council. The aide also expressed interest in learning how much we've grown and where we are operating.

Commissioner Pickett

Commissioner Pickett reported to the Board on some issues he learned about from the Water Committee meeting. There are two bills under legislative review that will have implications for us.

Per Bill 6171, DOH will no longer be responsible for Group B systems. DOH will write a rule setting minimum standards for Group B systems and then they will be completely regulated by local governments. The law will give the governing entity the flexibility to choose to follow the minimum standards or they can create stricter standards.

Bill 5560 affects greenhouse gas reduction policies and will mandate that the State, when giving out loans and grants, must take into consideration whether the applicant has a greenhouse gas policy. This could affect our ability to obtain loans and grants, so we will want to have a policy in place. It would be good if WWUC or WPUDA developed a standard policy for water utilities.

Summary of Assignments:

None

Commissioner Corwin opened an Executive Session at 7:06 p.m. to discuss potential litigation and real estate acquisitions (RCW 42.31.110). The Board closed the Executive Session at **8:19** p.m. and returned to the Regular meeting.

There being no further business, Commissioner Pickett moved to adjourn the meeting at 8:20 p.m., seconded by Commissioner Stearns, all approved.

President

Attest: _____
Secretary