

MINUTES OF THE REGULAR MEETING OF JANUARY 11, 2011
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON

The first regular meeting for January 2011 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday January 11, 2011, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 5:00 p.m. Commissioners Paul Pickett and Chris Stearns were present. Commissioner Corwin arrived at approximately 5:30 due to an earlier appointment. 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, and Cathy Skiles, Clerk to the Board. Tom McDonald, the District's Attorney arrived at 6:00.

Commissioner Stearns called the general meeting to order at 5:05 p.m.

Approval of agenda:

GM Weidenfeller introduced Thurston PUD's new employee Ryan Rowe, the PUD's new Accountant.

GM Weidenfeller requested that they move Doug Ecklund's report to the first item of the meeting. Commissioner Pickett also suggested moving CFO Parkers report on the Bonding Timeline up on the agenda so she can leave early. The Bond report will be held until Commissioner Corwin arrives. GM Weidenfeller also suggested allowing OM Gubbe to leave as soon as possible.

Commissioner Pickett also added new lines of business to the last item on the agenda. **Commissioner Pickett moved adoption of the agenda as revised. Commissioner Stearns seconded, all in favor.**

Consent Calendar:

- Approval of Minutes: none
- Prequalification of Contractors – Small Works Roster
- SMA Contracts
 - Res. 11-02 Contract with Forest Glen for O and M
 - Travel Approvals
 - Other –Valley Meadow Repair bill at \$6,009.66
 - Voucher Approval
 - Accounts Payable 12/29/10, 1/5/10
 - Payroll 1/5/10
- Resolutions:

Commissioner Pickett moved approval of the Consent Calendar without approval of the last meetings minutes, Commissioner Stearns seconded, all in favor

Public Comment: None

CFO Parker introduced Ryan Rowe, the new employee of Thurston PUD. He is an accountant whom the PUD hired last week. Commissioner Stearns stated that the Commissioners responsibility is to hire the

General Manager and Legal council so all employee issues go through the General Manager not the Commissioners.

Commissioner Corwin arrived during Doug Ecklund's presentation.

Prairie Ridge Water System Plan Update – Doug Ecklund

GM Weidenfeller explained that they are in the process of wrapping up the Prairie Ridge Water System Plan. The Department of Health has new guidelines and they are asking the PUD to install booster pumps now. The water system's customers were used to a much lower rate and used water at a relatively high rate. One of the critical aspects is we believe consumption will go down from the impact of the PUD's tiered rates, so the booster pumps may not be needed in the future. Commissioner Pickett suggested we look at the consumption for one more year. Staff recommended covering the \$25,000 needed to pay for the booster pumps by raising the General Facility Charge for that water system. The presentation was turned over to Doug Ecklund to answer questions.

Doug Ecklund provided exhibits to the Commissioners. Doug Ecklund reported that they received a letter from the Department of Health stating: based on our consumption records and on DOH design standard the booster pumps are undersized and something needs to be done now. The Department of Health has set a new policy to calculate maximum day demand under the new Design Guidelines. This calculation determines the size of booster pumps. Doug Ecklund presented graphs and discussion comparing water system average day consumption from a similar neighboring system with rates like ours that discourage consumption. Commissioners and staff discussed the potential growth of the water system and surrounding area to generate new facility charges to cover the cost of the booster pumps.

Commissioner Pickett stated that based on the likelihood that rates will not be sufficient to lower demand to meet DOH requirements, and the potential for growth paying for the booster pumps through future General Facility charges, he recommends going with option 2 to install the booster pumps now.

Commissioner Corwin recommended that they wait to increase the General Facility Charge (GFC) for at least one year due to the present economy. GM Weidenfeller explained the only risk involved in waiting would be losing the difference in the fee if someone should want to hook up to the system in the meantime. The primary reason the management team brought this option to the Board is to demonstrate a method of having growth pay for growth. A Public Hearing would be required to raise the GFC. The Capital Plan can be restructured to pay for the booster pumps this year with or without a GFC increase.

Commissioner Stearns asked if this proposal is approved how long would it take to get the booster pumps installed. Doug Ecklund reported that they would be in place prior to the next irrigation season.

Commissioner Pickett stated since the Department of Health is telling us we are out of compliance without the booster pumps, we should deny any new hook-up requests on the Prairie Ridge water system until the booster pumps are in place. Doug Ecklund concurred that DOH would not be likely to allow new connections right now without the booster pumps.

Commissioner Pickett made a motion to allow staff to restructure CIP budget to include \$25,000 for the installation of the booster pumps on the Prairie Ridge Water system as per Option 2 of staff recommendations. Staff will not accept any applications for new service to the Prairie Ridge water system until the booster pumps have been installed and approved by the Department of Health. Commissioner Corwin seconded, all approved.

Commissioner Pickett recommended when the booster pump installation project is nearing completion the Board should revisit the General Facility Charge increase.

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

Kim Gubbe has been invited by Evergreen Rural Association to attend their conference in Washington D.C. in February. The Association will pay her airfare and lodging, the PUD will only have to pay for meals. There will be a travel approval for the consent agenda next meeting.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Kim Gubbe reported that there has been a leak on the Crescent Park water system for some time. They have not been able to locate it until this week. A customer reported low pressure and Jacob was able to find the exact place of the leak using the locate equipment approved for purchase by the Commissioners two years ago.

A leak on Seahawk Street has surfaced and will be repaired tomorrow.

OM Kim Gubbe is working on an emergency repair at Beverly Beach this evening. We were not notified that Comcast was digging in the area and they hit a water line. Comcast did have the line repaired by time Jacob arrived, he will go back out to check out the repair in the morning.

GM Weidenfeller reported that freezing weather occurred since the last meeting while the Stillwell line replacement project was being wrapped up. OM Gubbe's field staff noticed that things were not being buttoned up like they should to prevent freezing so Jacob and Steve put their heads together and called Doug in. They were able to hang some door hangers. CFO Parker also jumped in and offered a credit to the customers to continue running their water during the freezing weather. There were about 19 – 20 connections that could have frozen up if the staff had not been pro-active. OM Gubbe reported there is one claim to replace a customer service line that we are considering.

Commissioner Pickett asked GM Weidenfeller about the WPUDA General Manager meetings he has been attending. GM Weidenfeller explained that the discussions have primarily been about the electric industry lately. It is extremely important to be involved from a manager's standpoint. Discussion has also continued regarding the Low Income and the Lien bills.

Chief Financial Officer's Report: Financial Report (every 4th week's meeting)

CFO Parker provided a copy of the flyer about E-cycling the Department of Ecology would like to have put in our customer bills at the end of January. She has contacted vendor who prints the PUD customer bills. With the Commissioners approval they will provide the service and the Department of Ecology will pay for the printing and stuffing of the flyers. All three Commissioners agreed to include the flyers in our next billing.

Information Discussion of Operations/Policy Issues:

Bond Timeline (Handout will be provided at the Meeting)

CFO Parker reported that she has talked to the PUD's financial advisor and he provided a timeline for our Bond issue. A copy of the timeline was provided to the Commissioners. The timeline shows a closing of April 12th. Commissioner Corwin asked what size Bond we are proposing, CFO Parker reported approximately \$3 million. Commissioner Corwin asked CFO Parker to ask the financial advisor if we need to pay for a rating. Due to the size of the Bond, the savings for not pursuing a rating may be more than the slightly higher interest we would have to pay.

Commissioner Corwin would like to plug in due diligence, meaning the broker would hold a meeting in Thurston County and invite the local financial organizations. One of the objectives is to sell some of the Bonds in Thurston County. Discussion continued about the financing that will be rolled into the Bond funding.

CFO Parker reported on the statistics that she has compiled comparing number of customers billed to the percentage of customers who received reminder notices, disconnect notices and the percent who were actually disconnected. The percentage of disconnects increased after the PUD's policy was changed. However, a drop in disconnects in January suggest a possible change in this pattern.

Action Items:

Resolutions: Res. 11-03 Contract Amendment to Prairie Ridge WSP Contract

Commissioner Corwin moved to approve Resolution 11-03 Contract Amendment to Prairie Ridge WSP Contract, Commissioner Pickett seconded, all in favor.

Legal Report: Tom McDonald

Tom McDonald reported on the appeal of Jefferson County property tax case: the Clerk's papers have been filed and the first brief in due at the end of the month January 31st.

Tom McDonald reported that he has been working with Commissioner Corwin and GM Weidenfeller on the lien authority bill. He gave an update on the status of the bill. He has also been working with GM Weidenfeller and CFO Parker on the Big Bird water system issue. Mr. McDonald handed out a draft letter to the owner of the Mobile Home Park. The Board discussed the letter and the possible directions this situation could take. The Board concurred with the approach suggested by Mr. McDonald's letter.

2011 Board Positions and Organizational Assignments

Commissioner Corwin moved to continue the current Board positions for another year, Commissioner Pickett seconded, all in favor.

Commissioner Pickett moved to continue all organization assignments for another year, Commissioner Corwin seconded, all in favor. A few other new organization assignments will be assigned at the next Board meeting.

WPUDA Meetings and Legislative Reception

Commissioner Pickett plans to attend the New Legislator's Luncheon, Water Committee meeting and the Reception on Thursday. Commissioner Stearns will attend all three and Commissioner Corwin will attend the Reception.

Commissioner Corwin made an appointment with Bruce Chandler for 9:30 that morning because the telecom meeting will be that afternoon.

New Lines of Business:

Commissioner Pickett will send something in writing before the next meeting regarding new lines of business. He noticed EDC has the SCORE program, retired business men, does that sound like something that would be of interest to us to have someone come talk to us. GM Weidenfeller did not think it would be valuable.

Commissioner Pickett also suggested they may want to talk to County IT to discuss telecom to see if they have any interest in a partnership with us. Commissioner Pickett asked GM Weidenfeller to set up a meeting with the County IT Manager; Commissioner Corwin will attend.

Commissioner Reports:

Commissioner Corwin reported he was asked by Ed Broast to serve as a liaison between Telecom and Government relations.

Commissioner Corwin asked GM Weidenfeller to provide the number on the Lien bill as soon as it is assigned.

Commissioner Stearns attended the TRPC meeting as the alternate delegate. The agenda was not particularly relevant to the PUD.

Summary of Assignments:

- GM Weidenfeller will put the proposal to raise the GFC for Prairie Ridge on the Board agenda when the booster pump project nears completion.
- The CFO will look into holding a meeting on the bond refinancing for local investors.
- GM Weidenfeller will provide Commissioner Corwin with the Lien Bill number as soon as it is assigned.

Adjournment:

Commissioner Stearns moved to adjourn the meeting, Commissioner Pickett seconded, all approved.

Christopher L. Stearns 1/25/11
President

Attest: Paul Pickett 1/25/11
Secretary