

**MINUTES OF THE REGULAR MEETING OF JANUARY 24, 2012
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for January 2012 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, January 24, 2012, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Chris Stearns, Alan Corwin and Paul Pickett 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.

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

Approval of Agenda:

Commissioner Corwin asked Commissioner Stearns if he preferred to add his funding issues to the agenda or add it to the end of the meeting. Commissioner Stearns chose to add the discussion to the end of the meeting.

The Pledge of Allegiance was said by all.

Commissioner Stearns made a motion to approve the agenda, Commissioner Corwin seconded, all in favor.

Consent Calendar:

Prequalification of Contractors – Small Works Roster

SMA Contracts

Correspondence:

E-mail to Commissioner Pickett from Bob Jacobs

E-mail to Commissioner Pickett from Michael Moren

Five (5) PSE Requests for Public Disclosure

Declaration of Emergency & Waiver of Competitive Bidding Requirements, C Muck 1

Competitive Bidding Requirements, Tanglewilde Emergency Work at Tanglewilde

Travel Approvals:

Other –

Voucher Approval

Accounts Payable 1/11/12, 1/18/12

Payroll 1/20/2012

Resolutions:

Res 12-01 Election of Board Officers

Res. 12-02 Board and Staff Organizational Assignments

Commissioner Corwin made a motion to approve the Consent Calendar, Commissioner Stearns seconded, all in favor.

Commissioner Pickett arrived at 5:10 p.m.

Public Comments: Three members of the public addressed the Commission: Glen Morgan – 17644 Old Highway 99 SW, Tenino WA; Bill Pilkey – 7223 20th Ave SE – Lacey WA; Carl Japhet – 527 Summit Lake Shore Rd. – Olympia WA, Kevin O’Sullivan, Olympia, no address provided, and Justin Kover, 522 Lilly Rd. NE, Olympia, WA. Mr. Morgan spoke to eminent domain and suggested that instead of taking over PSE, the PUD should use eminent domain to take over LOTT. Mr. Pilkey spoke to the need to carefully consider the financial implications of eminent domain and urged the Commission to consider the financial implications very carefully. Mr. Japhet spoke against using eminent domain to take over PSE’s assets. Mr. Sullivan questioned Commissioner Stearns’ reference to a figure he referenced that 45% of PSE’s power outages are due to failed equipment. Mr. Kover spoke against using eminent domain to take over PSE and was concerned about Canadian pension fund investment would hurt the retirees in Canada.

Action Items:

Resolutions:

Resolution 12-03 Contract with Cascadia Law

Commissioner Corwin made a motion to approve Resolution 12-03, Contract with Cascadia Law. Commissioner Stearns seconded. GM Weidenfeller stated that at the last meeting he was directed by the Commissioners to negotiate a contract with Cascadia Law Group to continue services with Mr. Joe Rehberger as Chief Legal Counsel. GM Weidenfeller and Joe Rehberger met; the contract is not much different than it was before. They clarified a few things; the rate if the work goes beyond normal business, and if there was an unusual circumstance where we need to use some specialized expertise. The revised contract clarifies these issues. GM Weidenfeller recommended approval of the contract.

Commissioner Pickett said the old contract had a fixed rate for work beyond the standard work; the new contract refers to a standard municipal rate, what is the standard municipal rate. Joe Rehberger stated it is 10% below their standard published rate.

All voted in favor of approving Resolution 12-03 Contract with Cascadia Law.

Executive Session:

No Executive Session at this time.

Information or Discussion of Operations/Policy Issues:

Commissioner Pickett asked to combine the discussion of the Electrical Utility Business Q&A Fact Sheet and the Draft Electrical RFP.

Commissioner Pickett explained he was thinking about the discussions they have had and the questions they are getting from the public. He was looking for a way to list the questions and at

the same time list the facts as they get them. He believes it is consistent with Commissioner Corwin's desire to do more homework. Eventually, they will have gathered enough information so when the Public is asking questions we can share this information with them. He noted that another use would be if we do decide to contract these services, we can point them to the fact sheet to give the contractor to the questions that are being asked.

Commissioner Corwin stated he is not against a feasibility study. We must limit the scope as much as possible, to what is essential is to provide the public information prior to this going to the ballot in November. Some of the things he has seen in the draft do not need to be done at this time. The priority now is to narrow the scope so we do not spend too much money, the second is to do it in a timely manner. We must set a date the feasibility study must be complete with penalties if it is not delivered. If we do not complete it in a timely manner, it limits its value. He stated that he, GM Weidenfeller and Joe Rehberger had extensive discussions today. He mentioned that there should be two weeks from the completion of the RFP to the finalization of the RFP. Secondly, we need a final date, to identify any new points, and we "may" need to offer a ballot measure of our own to cover some of the interim costs. The cost for eminent domain can be very long and very expensive. We can no longer finance it and we need a vote of the people to increase tax revenues.

Commissioner Stearns concurs with Commissioner Corwin's description of narrowing the focus. He has seen some transition in looking into new lines of business because the Public has stepped forward and made comment. The concept is being elicited right now of taking over the whole County. He agrees with Commissioner Corwin that due to our size we are not in a position to do that right now. In short, he does not believe we can enter the business by taking the whole County. He would like the feasibility study to address how we can enter into the business on a scaled approach. This is the most feasible way to approach it. His second point is the reason he has advocated for a feasibility study since the time he entered this office is that he thinks the public has hunger for real factual information. He stated that the Public votes for the Commissioners and if they do not like what we are doing, we will not be re-elected.

Commissioner Pickett agrees about the scale of the feasibility study. He noted that as he was writing the draft RFP, he had that in mind while also trying to capture the issues. As it grew, he became more concerned. At this point, he would like a preliminary study and would not even call it a feasibility study. This is more like a preliminary business plan to collect information and provide information on what the environment would be like in the electrical business. If the public chooses to put us in the electrical business, that would be the time to do a more detailed study. If the public does not give the PUD electrical authority, he would like to see the PUD look into ways they can partnership with PSE. If the PUD is given the electric authority, the PUD could still work with PSE on ways to work together rather than acquire them completely. He suggested this study stay within \$20,000 to \$30,000 range.

Commissioner Corwin asked Joe Rehberger to look at the petition filed by TPPI and advise the Commissioners on what they have to do and what their discretion, if any would be and report

back to them. Commissioner Pickett would also like to address how the PUD can respond to emergencies like we just had.

Amy Tousley gave a brief report on the existing storm and PSE's response to the storm.

The Workshop with Puget Sound Energy and the Commissioners has been rescheduled for 3:00 p.m., Tuesday February 14, 2012.

Commissioner Pickett provided a draft copy of the Electrical Utility Business Q&A Fact Sheet. He has gathered some information regarding what other PUD's have done. He would like to see some of the information Alan Dashen has provided. GM Weidenfeller asked if gathering this information is a top priority and what is the timeline. Commissioner Pickett suggested a medium priority and over the next month to gather information. Commissioner Corwin asked GM Weidenfeller to tell them what he plans to bump when they are asking him to make something a high priority. Commissioner Pickett suggested they all add information as they come across it as long as it is factual.

Commissioner Pickett asked about the RFP. He said that he is sensing that there is a move to scale it down, and asked for input on what scaled down looks like to the other Commissioners. Commissioner Corwin asked Amy Tousley what the electrical megawatts (MW) usage of Thurston County. The PSE representatives stated that they thought average load was around 350 MW and peak load was around 500 MW in Thurston County.

Staff Presentations:

Commissioner Pickett asked CFO Parker to give her report.

Chief Financial Officer's Report: Financial Variance Report – She reported that revenues came in about \$40,000 higher than she had anticipated. The revenue shortfall was about \$130,000 less than she had anticipated.

Commissioner Corwin asked how storms like this affect us financially. He asked if customers are without power; therefore have no water, do the revenues drop? CFO Parker reported it is not significant; the average use in January is very low so if we see a percentage of loss it is not significant.

Commissioner Pickett asked Commissioner Corwin to provide GM Weidenfeller his comments about scaling down the RFP. GM Weidenfeller will share his comments with the other Commissioners at the next meeting. Commissioner Pickett will also prepare his comments for scaling down the RFP for the next meeting. Commissioner Pickett asked that the question and answer sheet is attached to the RFP. Commissioner Corwin suggested that if someone comes back saying they can not provide a feasibility study within the timeframe requested, or within the budget amount that we ask them what they can provide within the budget or time frame.

Review of 2012 Strategic Prioritized Goals

The Commissioners reviewed their current matrix of 2012 Strategic Prioritized Goals. Commissioner Corwin asked what they are going to put as the highest priority. He does not mind moving the electrical issue from low priority but how high is it going to be placed. GM Weidenfeller stated he has been spending a lot of time on item number six – new lines of business, which currently is listed as a low priority. He wants to make sure he is focusing his attention where the Commissioners want him to. He has also been looking at goal number 1 and recommended making it a low priority. Financial stability always has to be high. They discussed each goal and revised the priority levels. GM Weidenfeller will bring a copy of the updated Strategic Prioritized Goals to the next meeting.

John Weidenfeller, General Manager –

GM Weidenfeller reported they have received significant response for generators due to the storm. He will be working on a response to those customers. He will advise them that they need to put out a vote of the residences. If a majority approves, the PUD will put the money up front and the water systems customers will be charged a surcharge until the PUD recovers their investment. The generators have to be designed by PUD standards, with an automatic start, fuel supply for several days and will need to be approved by the Department of Health. Commissioner Pickett suggested putting together a fact sheet and posting it on our web site. GM Weidenfeller will do a communication output with the input of the Commissioners.

Commissioner Corwin asked to put a box in the next newsletter to tell people how to access PUD website.

GM Weidenfeller asked if any of the Commissioners will attend the WPUA round table. Commissioners Corwin and Stearns will attend; Commissioner Pickett will let the GM know at a later date.

GM Weidenfeller stated there are a lot of people without power which means they do not have water. Staff has been working really hard. Commissioner Pickett suggested making that a newsletter item. How many systems were out, people like to know that information. GM Weidenfeller said he does not have that information unless the customers call and many do not call. Commissioner Pickett added that the generator issue comes up every winter.

Commissioner Stearns said we have telemetry at Tanglewilde, GM Weidenfeller said the Telemetry system's phone lines are out and Field Technician 2 Steve Skiles has been manually operating the pumps all weekend, and telemetry will be operational again this week.

Commissioner Pickett asked if any pictures of our operations have been posted to the Web page. GM Weidenfeller said not at this time. The heavy workload of the staff has not allowed time.

Kim Gubbe, Operations Manager – excused from meeting.

Legal Report:

No legal report.

Commissioner Reports:

Commissioner Corwin said they met with Alan Dashen today and they learned a lot about municipal bonds, priming, etc. He will write up a summary of the things they have learned from the meeting. He said if the Commissioners choose to move forward with a study, the only way to finance the cost is was by selling a bond to cover the cost. The largest part of the cost would be legal costs of pursuing eminent domain. Commissioner Pickett sees the potential legal cost being a part of the Q and A sheet.

Commissioner Corwin attended the Legislative Reception. There are some things on the Federal level that he will discuss at another time.

Commissioner Stearns attended the TRPC meeting and his other watershed meetings will be later this week. The Deschutes Total Maximum Daily Level (TMDL) report was released.

Commissioner Stearns reported that there is new bill being dropped regarding exempt wells.

Commissioner Pickett reported that he has made a decision not to run for re-election has provided GM Weidenfeller a copy of his statement..

Summary of Assignments:

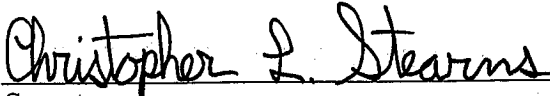
1. Chief Counsel – Review TPPI petition submitted to County and advise Commissioners on what they can do what is within their discretion.
2. Commissioners – provide RFP update information to the GM before the next meeting.
3. GM will prepare a fact sheet on generators for our web site and for other communications with the public and will work with the systems on acquiring a generator via surcharges.
4. On the next newsletter, put a box telling people how to access the PUD web site.
5. Post pictures of the storm damage on our web site.
6. Consider an article compiling information of storm damage in the next newsletter.
7. GM will fill in the electric utility Q&A sheet by late February or early March.

At 7:27 pm Commissioner Pickett moved to adjourn. Commissioner Corwin seconded, all approved and the meeting was adjourned.



President

Attest:



Secretary