

**MINUTES OF THE REGULAR MEETING OF FEBRUARY 28, 2012
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for February 2012 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, February 28, 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 from the meeting.

Commissioner Pickett called the general meeting to order at 5:06 p.m.

Pledge of Allegiance: All

Approval of Agenda: President Paul Pickett
Commissioner Stearns asked to add to the agenda a letter of recommendation for the PUD's former attorney, Tom McDonald. He has been appointed by the Governor to the Pollution Control Hearings Board (PCHB). This Board decided that this item will be addressed in the Legal Report's section of the meeting.

GM Weidenfeller asked to allow CFO Parker to give her report early so she can return to work preparing Drinking Water State Revolving Fund loan applications which are due on March 1. Commissioner Pickett moved the CFO report to Information or Discussion of Operations/Policy issues. Commissioner Stearns commented that Denise Clifford commented on how much they appreciated Julie's input in their LEAN process. This was a review of the Washington State Department of Health processes.

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

Consent Calendar:

Approval of Minutes:

January 24, 2012 Meeting

February 14, 2012 Workshop

February 14, 2012 Meeting

February 22, 2012 Workshop

Prequalification of Contractors – Small Works Roster

SMA Contracts:

Correspondence:

Travel Approvals:

Accounts Payable: 2/15/12, 2/22/12

Payroll: 2/21/12

Other:

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

Public Comments: Three members of the public were present, none of them wished to comment.

Action Items:

Resolutions:

Information or Discussion of Operations/Policy Issues:

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

CFO Parker did not provide the variance report she usually provides at the second meeting of the month. She has been working on the Drinking Water State Revolving Fund Loan applications. We have nine applications that we will be submitting. One is an SMA application for the Tempo Lake Distribution replacement project. The other eight are for PUD owned systems to take advantage of the low interest loans. In this group, there are three consolidation projects that include the Garden Acres water systems, Lew's 81st and the Platt and Sward water systems. These will eliminate some group B water systems and provide better service to the customers on those systems.

Commissioner Pickett confirmed the funds will address both the water system planning and the physical changes to the systems. He then asked if the funds will cover the overhead costs involved in processing and overseeing the project. CFO Parker said they would not.

CFO Parker reported that her new Accountant is looking at the PUD travel policy, especially the meal reimbursements that were set in 2006. One of the alternatives is we adopt the meal allowance that OFM has on their website, which is the continental US index. This would give an index to go to.

Commissioner Corwin asked what the extent of the Revenue shortfall for 2011 was, if any, and how was that covered. CFO Parker reported she recalls that the shortfall was \$80,000.00 over what was originally projected in the 2011 budget. Most of that was accomplished through reduced operations expenses. Commissioner Corwin asked GM Weidenfeller to write a brief article on this for the next news letter. He stated that revenue shortfalls are primarily due to weather but lets take advantage of the good management to offset the shortfalls with cost savings. Commissioner Stearns also commented on the efficiencies we will experience in the next year due to the new vehicles purchased.

Draft Preliminary Business Assessment RFP for Electric Utility

Commissioner Corwin would like a statement added that we would like an estimate of upfront costs prior to an acquisition; legal and financial. He added that this edition of the RFP is vastly

improved. On other observation he made, is that we are asking in 1.d about 50 megawatts, therefore 3.d is not necessary.

Commissioner Pickett suggested 3.b could accommodate Commissioner Corwin's suggestion through a formatting change. Commissioner Corwin asked him to add something to say including legal costs.

A member of the public asked if copies of the RFP were available that they could look at. Copies were provided.

The Commissioners discussed the time frame they want to allow between release of the RFP and getting a response back. It was agreed to allow four weeks to respond. This would allow at least a week to review them and another week to interview the selected applicant(s). The Board would then want another week to write a contract and get signature and would need to decide how much time would be allowed for the selected consultant to prepare the study.

GM Weidenfeller commended Commissioner Pickett for his work on the Draft Preliminary Business Assessment RFP for an Electric Utility. He does feel that there is still too much in the RFP. Commissioner Pickett will make some changes to ask for several scenarios of where it would be feasible to provide 50 megawatts of service.

The Commissioners discussed various funding options and when a vote of the Citizens is required.

Commissioner Stearns added he would like to address what kind of staff would be required and the cost to acquire those individuals. GM Weidenfeller suggested he put together an organizational chart for the different scenarios. Commissioner Stearns feels that a consultant would be better so GM Weidenfeller suggested they hire a consultant that specializes in staffing when the time is appropriate. Commissioner Pickett suggested he adds a request to address the impact the scenarios would have on the existing operations.

Discussion continued regarding revisions to the Draft Preliminary Business Assessment RFP for Electric Utility. Commissioner Pickett suggested he make the revisions, and put out a notice for a Hearing to receive public comment. Based on the comments they receive will determine if the Commissioners take action. The Final Draft will be available by the end of the week, and a Notice of a Public Hearing will be published for March 13, 2012. Commissioner Corwin asked that staff provide a summary and then allow the Public to comment.

Commissioner Pickett suggested that because of the misinformation being spread through letters to the editor in the Olympian, that we check with the Olympian to see if we could meet with the Editorial Board to explain what the vote means to the PUD. Commissioner Stearns agreed to have Commissioner Pickett take the lead on that.

Presentations:

Staff Presentations:

General Manager's Report:

John Weidenfeller, General Manager Updated GM Report – he provided a report in writing. He also commented that the work at Tanglewilde on February 20th went well. The tank is up. There will be an art project on the tank and OM Kim Gubbe will give a presentation on the project at the next General Meeting.

GM Weidenfeller provided the Commissioners with the March WPUDA meeting registration forms and schedule and asked them to return the registrations to him if they plan to attend any of the meetings.

GM Weidenfeller and Mr. Rehberger met with the Lake Lucinda Board; they have received a request from a developer to serve his 50 lot development. They have water rights so the system could be upgraded to serve them. More discussions will follow

Operations Manager's Report: Kim Gubbe, Operations Manager – excused.

Legal Report:

Joseph Rehberger, Chief Legal Counsel, reported he working on the draft DOE policy regarding municipal water rights. The policy is in draft form and they continue to make changes. Ecology's changes were well received by the Board. Joseph Rehberger provided the Commissioners a copy of the draft policy in its current form and a summary of the changes. The most pertinent issue is around compliance issues and the Department of Ecology determining when a water right becomes a municipal water right.

The Board discussed the importance of this policy to Thurston PUD. The GM and Mr. Rehberger were authorized to submit comments to the Washington Water Utility Council or to Ecology if they feel comments would be beneficial.

The claim was filed with Thurston County for a leak in Tanglewilde.

Commissioner Reports:

Commissioner Corwin reported that he talked at the Democratic meeting last night. He encouraged people to run for the PUD Commissioner position that will be on the ballot.

Commissioner Stearns asked to write a letter of recommendation regarding our former Chief Legal Counsel, Tom McDonald, addressed to Senator Lisa Brown asking that for confirmation before the end of this legislative session since the position has not yet been confirmed.

Commissioner Pickett made a motion to write a letter from the Board endorsing Tom McDonald's appointment to the PCHB and encouraging prompt action on his appointment's confirmation. The letter will be sent to the Senate Majority leader. Commissioner Stearns seconded, all in favor.

Commissioner Corwin said he has been asked what the qualifications are to run for TPUD Commissioner. His response has been that it does not require specific utility background. What

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it requires more than that is the ability to work collegially with other elected officials and with staff. It helps to have experience in an elected position, a non profit or volunteer work. They need to understand government. Commissioner Stearns added that it is important to understand that setting rates is a key to what they do. Also, our PUD continues to set policies since we have not been in operation for that long.

Commissioner Stearns attended the Chehalis Partnership meeting and the Deschutes Watershed Committee meeting. It was noted that the comment period ended February 27, 2012.. Commissioner Pickett did look at some of the e-mails and did not feel that comments at this time would be beneficial.

Commissioner Pickett ended the regular meeting at 6:48 they moved into Executive session to discuss a potential real estate acquisition. They will meet for 15 minutes, and may take action on the item being discussed in the executive session.

Executive Session: RCW 42.30.110 (1)(c) Real Property Acquisition

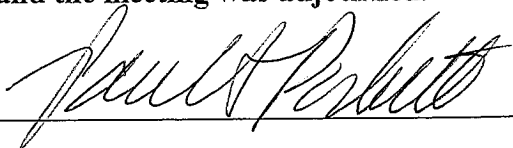
Commissioner Pickett closed the Executive Session at 7:03 p.m. No actions or decisions were made.

Summary of Assignments:

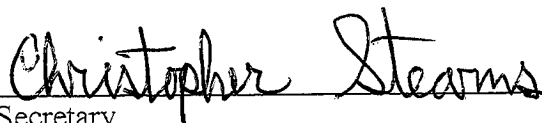
1. Write brief article for next newsletter regarding 2011 operating cost savings.
2. Commissioner Pickett will draft a letter asking for confirmation of Tom McDonald to the PSHB.
3. Commissioner Pickett will see if it is possible for the Editorial Board to meet with the PUD to explain what it would mean if a vote for electrical service were approved by the voters for Thurston County.

Adjournment:

At 7:04 pm Commissioner Pickett moved to adjourn the General meeting. Commissioner Corwin seconded, all approved and the meeting was adjourned.



President

Attest: 

Secretary

