

**MINUTES OF THE REGULAR MEETING OF JUNE 11, 2013
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The first regular meeting for June 2013 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, June 11, 2013, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioner Russell Olsen was present. Commissioners Chris Stearns and Linda Oosterman phoned-in to the meeting. 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), Joseph Rehberger, Chief Legal Counsel, and Cathy Skiles, Clerk to the Board.

Commissioner Olsen called the general meeting to order at 5:00 p.m.

Approval of Agenda:

GM Weidenfeller asked to add "Authorization to Make Necessary Electrical Repairs and Install New Booster Pumps at the Prairie Ridge Water System" to the Consent Agenda. **Commissioner Oosterman made a motion to approve the agenda as amended, all in favor.**

Consent Calendar:

Approval of Minutes: May 28, 2013 Meeting

Prequalification of Contractors – Small Works Roster:

Nicholson Drilling, Inc.

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 5/29/2013, 6/5/2013

Payroll 6/5/2013

Resolutions:

Other:

Authorization to Proceed - Terry Lane Booster Pump Upgrades

Authorization to Make Necessary Electrical Repairs and install new Booster Pumps at the Prairie Ridge Water System

Commissioner Oosterman made a motion to approve the Consent Calendar, all in favor.

Commissioner Stearns joined the meeting via phone.

Public Comments: None

Public Hearing: Covington Arsenic Removal Project Proposed Surcharges

Commissioner Olsen opened the Public Hearing at 5:05 p.m.

GM Weidenfeller provided a summary. The Covington water source exceeds the arsenic minimum contaminant level (MCL) of 0.010 milligrams per liter federal standard. The State Department of Health has directed the arsenic level be mitigated. The PUD has secured a low interest 1.5% loan for 20 years from the Drinking Water State Revolving Fund (DWSRF) with 30% loan forgiveness to resolve this issue. The loan for the improvements, after 30% loan forgiveness, is expected to be \$148,230.60. The proposed repayment of the loan would be for the PUD to pay for 66% of the costs through system wide rates, estimated at \$97,832.20, and for the 15 property owners on the Covington water system to be responsible for 34% of the loan repayment, estimated to be \$50,398.13. Staff recommends that the Covington water customers accomplish this repayment via a monthly surcharge of an estimated \$17.13 a month, for 20 years, not to exceed \$20.00 a month. Doug Eklund, P.E., Project Manager for the Covington Arsenic Removal Project, provided a presentation. He gave a history of the project including the different options that were investigated. He outlined the treatment process chosen. He answered questions from Gabriel Brannon and Richard Montemarano, both residents of the Covington Water System. A letter, submitted from John Youmans, 2336 Covington Court NE, Olympia, WA 98516, was discussed at the meeting and will be attached to the minutes.

Public Hearing: Covington Arsenic Removal Project Proposed Surcharges
Commissioner Olsen closed the Public Hearing at approximately 5:45 p.m.

Information or Discussion of Operations/Policy Issues:

Tanglewilde-Thompson Place Water Main Improvements

GM Weidenfeller stated that on June 12th a public meeting will be held with the residents of the Tanglewilde-Thompson Place water system to discuss three options to accept DWSRF loans pay for over \$12 million in improvements to the Tanglewilde-Thompson Place water system. Commissioner Olsen will attend the meeting with staff. The meeting is being held to gather input from the Tanglewilde residents. Staff will recommend Option 2, accept loans for \$2,940,330. Payment for these improvements would be via a surcharge of \$5.59 a month on all Tanglewilde and Thompson place customers with the balance of the costs paid through rates.

Action Items: None

Commissioner Topics, Discussion and Reports:

Commissioner Stearns confirmed someone will attend the WPUA Education Committee meeting next month. Commissioner Stearns asked his fellow Commissioners if either of them would like to attend the July meetings. GM Weidenfeller confirmed that if no one attends, someone should attend the Board meeting via telephone conference. Commissioner Oosterman suggested they meet at the WPUA office and call-in. If possible, the Commissioners would like to use WPUA's teleconferencing capability.

GM Weidenfeller confirmed the Commissioner's attendance to the WPUA meetings in June.

Commissioner Stearns reported he attended the Chehalis Partnership meeting last month. They are proceeding with the hiring of an employee.

Commissioner Oosterman attended a meeting at the new Emergency Operations Center. It seems Thurston PUD will need to set up our own emergency plan. She has gathered information from other PUDs. She will continue to attend the two Thurston County Emergency Management Elected Official's meetings they hold each year to gather information.

Commissioner Oosterman asked if Commissioner Stearns knows if the Deschutes TMDL meetings will continue. He suggested she continue to attend the meetings until the end of the year.

Commissioner Olsen reported he is looking forward to receiving comments regarding the Strategic Plan. Commissioner Stearns reported he is prepared to make his comments.

Commissioner Olsen will attend the meeting with the Tanglewilde/Thompson Place residents tomorrow night, July 12th.

Commissioner Olsen reported he did not attend the TRPC meeting. It was a full day retreat that focused primarily on transportation issues and he had only planned on a morning meeting. GM Weidenfeller followed-up with TRPC to let them know why our Commissioners could not attend.

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing; there were questions from the Commissioners. GM Weidenfeller added he has followed up with NoaNet regarding a feasibility study. They will not prepare a feasibility study but they offered to provide an overview of what is available in Thurston County. The cost would be \$1,500.00 for a basic workshop and \$2,500 to cover costs of an more in-depth study. They are available on July 12th and July 19th for a presentation. The Commissioners approved the \$2,500 version for an all day Wholesale Telecommunications Workshop on July 12th at the PUD Office.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing. She added that Prairie Ridge water system improvements have been put out-to-bid and they are due tomorrow. GM Weidenfeller reported the OM worked Friday night and Saturday to make sure the issues were resolved. Voice mail messages were sent updating the customers on Friday, a follow-up on Saturday, and on Monday updating the customers.

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

CFO Parker reported she sent the Commissioners the unaudited financial reports yesterday. The District will have a new Assistant State Auditor this year.

Legal Report: Joe Rehberger, Chief Legal Counsel

Joe Rehberger reported his office has filed the Tanglewilde-Thompson water right application with the Department of Ecology for an additional 1,100 Qi (gallons per day) that will meet the system's needs for the next 20 years.

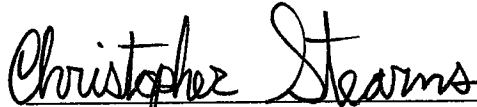
Commissioner Stearns asked about the status of the City of Olympia wholesale water contract. GM Weidenfeller reported CFO Parker will provide an update at the next meeting.

Executive Session: None


Summary of Assignments:

Adjournment:

Commissioner Oosterman made a motion to adjourn the meeting 6:30, Commissioner Stearns seconded, all in favor.


Chris Stearns, President

Attest:


Linda Oosterman, Secretary

Attachment: Letter from John Youmans, 2336 Covington Court NE, Olympia, WA 98516, dated June 10, 2013, Subject: Covington Water System Arsenic Removal Project

June 10, 2013

Thurston PUD #1
921 Lakeridge Way SW Ste. 301
Olympia, WA 98502-6081
Mr. John Weidenfeller, General Mgr.

Subject: Covington Water System, arsenic removal project.

Dear Mr. Weidenfeller,

I am requesting that the issues submitted herein are made a part of the minutes of the Public Hearing on June 11, 2013 concerning the subject project.

Issue 1 :

The DWSRF loan of \$211,758., less 30% forgiveness, amounts to \$148,230.60 principle repayment. You are proposing that the 15 Covington homeowners be directly responsible for repayment of 34% which would be \$50,398.40 in total or \$3359.89 per homeowner. You have stated in previous communications that you can't accept total immediate payoff from any homeowners that might elect to do so to avoid interest payment that could amount to some \$700.00 over 20 years. I believe the lawfulness of your position is questionable and needs to be revised to allow total one time payment.

Issue 2:

You state in your letter of May 9th that "The surcharge will be adjusted to cover actual costs of the project if the project totals more or less than the estimated costs."

Question : Is your total estimated cost equal to or less than the loan amount of \$148,758. ? If not where is the additional funding coming from ?

Question: Does your estimated cost include the construction of a treatment equipment building ?

Question: Have you a firm fixed price bid from the contractors you propose to do the equipment design and fabrication work ?

Question: Have you a firm fixed price bid for design and construction of the treatment equipment building ?

Question: Is the current leased well site large enough to accommodate the treatment building and any outdoor storage and treatment tanks ? If it is not what is your plan ?

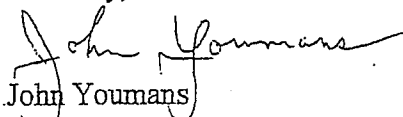
Issue 3:

Are there other locations, than the two mentioned below, where the anion exchange process has been put into successful service at a arsenic contaminated well site ? If it has been successfully put into operation somewhere that is comparable to our Covington well please provide us with details. To what extent, if any, have you drawn on the experiences of the EPA supported Fruitland, Idaho ion treatment water facility and the Arizona Water Company Rimrock Arizona ion water treatment facility ?

Issue 4:

Is the arsenic in the Covington well class 3 or class 5 ? The question pertains to the degree of processing that is required for the different classes.

Sincerely,



John Youmans
2336 Covington Ct NE
Olympia, WA 98516

cc: Covington Homeowners

RECEIVED
JUN 10 2013