

**MINUTES OF THE REGULAR MEETING OF JANUARY 14, 2014
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The first regular meeting for January 2014 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, January 14, 2014, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Linda Oosterman, Chris Stearns and Russell Olsen 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), Joseph Rehberger, Chief Legal Counsel, and Cathy Skiles, Clerk to the Board.

Commissioner Oosterman called the regular meeting to order at 5:00 p.m.

Approval of Agenda:

President Commissioner Oosterman called for a motion to approve the agenda. Commissioner Olsen made a motion to approve the Agenda, Commissioner Stearns seconded, all in favor.

Consent Calendar:

Approval of Minutes: December 10, 2013 Meeting

Prequalification of Contractors – Small Works Roster:

Asphalt Patch Systems, Inc.

Northwest Welding and Fabrication, Inc.

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 12/12/13, 12/18/13, 12/26/13, 01/02/2014, 01/08/2014

Payroll 12/20/2013, 01/06/2014

Resolution 14-01 KPFF Consulting Engineers, Lew's 81st Expansion Change Order 1

Commissioner Oosterman asked if there were any changes to the Consent Calendar, GM Weidenfeller replied there were none. Commissioner Stearns made a motion to approve the Consent Calendar, Commissioner Olsen seconded, all in favor.

Commissioner Stearns asked if the Lew's 81st change order is pretty much as planned? GM Weidenfeller explained this change order provides an additional \$15,000 to move the storage tank to another site as the Commissioners previously approved.

Public Comments:

Commissioner Oosterman called for Public Comment

Eric Krause stated he recently purchased a property in the PUD's service area. The property includes a 59 unit apartment complex. His company owns other properties across the State. He inquired with the PUD business office as to why he received a bill for the irrigation meter of \$212.00 per month and he questioned why they are being charged when water is not being used. He was told they he needed to address this concern with the Commissioners. GM Weidenfeller stated this is the first he had heard of this and staff would be happy to discuss it with him. CFO Parker was excused to discuss the rate and answer his questions.

Public Hearing: None

Action Items:

Information or Discussion of Operations/Policy Issues:

GM Weidenfeller asked to discuss the WPUDA Meetings first.

WPUDA Meetings

GM Weidenfeller noted WPUDA is holding a meeting tomorrow afternoon. The meeting is the Commissioner Education Roundtable and is primarily Legislature orientated. GM Weidenfeller has signed-up Commissioners Oosterman and Stearns for the meetings. GM Weidenfeller also provided the Commissioners a schedule of the 2014 WPUDA meetings.

Possible Acquisitions

GM Weidenfeller asked OM Gubbe to address this item. OM Gubbe stated she looked at the Cougar Mountain water system. When she arrived, the whole HOA Board was there to meet with her. She gave them her presentation on potential PUD acquisitions; they are interested in seeing what the PUD can offer for their water system. There are 78 connections. OM Gubbe has not completed her due diligence yet. She has found the system is approved for 100 connections, the system is well maintained, the system is spring fed so she will look into that more. The system does need a new reservoir. It is located in Thurston County and is in Commissioner Olsen's District. OM Gubbe showed the Commissioners where the system is located on the map and the existing PUD owned water systems near this system. OM Gubbe explained the HOA Association is having problems with some of the customers not paying their water bills; they do not have a good disconnect policy.

GM Weidenfeller explained this is a heads-up from a response to an acquisition letter he sent out. The HOA currently uses Skyline for satellite management agency services. GM Weidenfeller explained staff needs to do more due diligence on the system and come back to the Commissioners with a recommendation. GM Weidenfeller explained the due diligence process used and staff answered questions the Commissioners had.

CFO Parker returned to the meeting. GM Weidenfeller asked her to report on her discussion with the customer. CFO Parker explained that rate costs are based on capacity and meter sizes. She explained the base cost is calculated on the amount of water they can put through the meter. She suggested the customer look at the irrigation design to find ways to reduce the amount of water they need and they may be able to reduce the meter size, thus saving money on the base rate. The customer will look into it and come back with more information.

GM Weidenfeller reported he has been contacted by the Cougar Ridge water system owners. The HOA acquired the water system, and the Board has decided not to sell the system but they are asking what the PUD can do for them. GM Weidenfeller said that he would be happy to meet with the Water Committee. The Cougar Ridge water system is located off of Delphi Road. There are 81 connections on the system.

GM Weidenfeller reported the Rainier Terrace water system owner contacted him this week in response to an acquisition letter he sent him. He has not been able to connect with the owner; he believes it is a mobile home park. The system has 51 connections. Normally, when a mobile home park finds that each unit needs to be metered and billed individually they lose interest. One more Class B system has contacted the PUD and OM Gubbe will discuss that system in her report.

Cost of Service Study

GM Weidenfeller provided the Commissioners with a summary of the December 19th meeting held with the consultants, Commissioner Olsen, CFO Parker and himself. The consultants are proceeding to break things down into four year groups. Staff is working on making recommendations for prioritizing improvements. Staff recommends holding meetings with the Community in late May and June. Commissioner Olsen stated he agrees with the revised timeline to allow for more time to gather information to prepare a stronger presentation. The Commissioners and staff discussed the cost of service study and the detail involved.

Possible Grant Opportunity – Power Efficiencies

GM Weidenfeller reported that based on the Commission's priorities, he has been looking for energy efficiency opportunities and learned of a Department of Commerce grant opportunity. It may or not be viable for the District. The grants are not 100% grants; they would require \$3.00 of PUD funds to \$1.00 of grant monies. Possible opportunities include solar panels on some pump houses, pump replacements, and generators and a possible opportunity to partner with the Tanglewilde Park and Recreation Board. Commissioner Stearns, the GM and staff will meet with the consultants on January 31st to discuss whether this is something worthwhile for the PUD to pursue.

Webster Hill Water System Acquisition

GM Weidenfeller reported that he, CFO Parker, OM Gubbe and Chief Legal Counsel Rehberger have been looking at this to see how they can make it work. The PUD has been working on this for over a year now. The PUD received \$30,000 to conduct a feasibility study and was approved for \$170,000 from Pierce County in CDBG funds to replace the distribution lines. The HOA will continue to exist and will own the property the reservoir is on and the roads. The HOA has to give the members two weeks' notice to have a meeting to approve of the sale of the water system. Staff, the consulting engineer and Mr. Rehberger are meeting with the HOA board on January 15th. GM Weidenfeller provided a summary of his recommendations to acquire the water system. The Commissioners and staff discussed the pro's and con's of acquiring the water system and issues involved.

Tanglewilde-Thompson Place Water System Contract, Qi and a Generator

GM Weidenfeller stated these issues have been combined since they are interrelated. Chief Legal Counsel Joe Rehberger explained the process the District has gone through with the Department of Ecology (DOE). He noted that the Qi application has been approved by DOE and is open for public comments; as of the meeting no comments were made. Once the public comments timeline is met, the application can be approved and then there is another 30 day comment period. This approval will affect the City of Olympia contract negotiations. GM Weidenfeller reported, if the application is approved by DOE the Tanglewilde Water System could be completely independent of the City of Olympia for water, therefore, the PUD does not want to enter into a long term contract with the City of Olympia at this time. In order to be totally independent, the PUD needs a generator for the water system and the Board approve agreed we should move forward on this quickly. Staff explained to the Commissioners the cost of purchasing water from the City of Olympia. Staff answered questions asked by the Commissioners.

Thurston County Chamber of Commerce Membership

GM Weidenfeller noted he added membership to the EDC to this discussion. CFO Parker reported that in 2007 the Thurston County Chamber of Commerce and Thurston County Economic Development Council were invited to a Commission meeting to discuss ways their membership would benefit the PUD. The Board, at the time, decided not to become members. The Commissioners discussed the reasons the PUD would benefit from these memberships. Commissioner Olsen will investigate the benefits of membership

and will come back with a recommendation on membership. Commissioner Olsen received authorization from the other Board Members to attend meetings, gather information and discuss membership at a future Board meeting.

Legal Report:

Chief Legal Counsel Rehberger reported he has been working on the Garden Acres consolidation. An application for water rights from the Department of Ecology has been submitted to allow the consolidation of three exempt Group B water systems. Staff is waiting for a response from Mike Gallagher on the amount of water that would be allowed on the consolidated ground water rights.

GM Weidenfeller reported that Mr. Rehberger and OM Gubbe are addressing some issues with a Small Works Roster contractor. OM Gubbe explained the issue she is having with the bid process on the Coker Well. All bids have been rejected and will be put out to bid again. OM Gubbe has hired Jerome W. Morrisette and Associates to help with the scope of work for the project.

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided the Commissioners a report in writing. He also reported Michael Cade, the Executive Director of the Economic Development Council (EDC) has offered to come to a Board Meeting to provide a presentation about the Vitality Index in Thurston County. The Commissioners asked the GM to thank him and turn down his offer, since the Board Members are familiar with the Vitality Index and have limited time available in the meetings and a large workload.

OM Gubbe gave the Commissioners a report on a customer on the Elk Heights water system who was disconnected for nonpayment. The service has been tampered with several times and tampering fees have been assessed. The customer called in November said he did not connect the service but some people moved into the house when he was away. He was told if he can prove he was not residing at the residence we would remove the tampering fees. Since that call, there have been multiple times the service has been found illegally connected. Staff took pictures of the illegal connections and then he was disconnected. The Pierce County Sheriff's Office was contacted and staff has been informed on who to call and how to respond should they find the service illegally connected again. GM Weidenfeller discussed the different responses the PUD has received from the Sheriff's Departments in different counties. OM Gubbe described other experiences the PUD has had with different illegal connections.

GM Weidenfeller asked the Board's permission to allow CFO Parker to give a report about PURMS after which she can be excused from the meeting.

Chief Financial Officer Report: Julie Parker, Chief Financial Officer

CFO Parker reported currently the employees of the PUD are paying 10% of the total Health Care Benefit cost, as a payroll deduction. The PUD does not have a set premium; it is calculated based on an actuarial analysis by the administrator that takes into account the experienced cost. Each year, CFO Parker requests a calculation of estimated premiums cost from PURMS for the next year. In the past, she has received three estimates from PURMS using different calculation methodology. The three estimates are Experience based (lowest), Expected losses (medium) and Stop Loss (highest). In the past, the PUD has used Expected based costs, which are the middle of the road estimate to calculate employee contributions. At the last PURMS Operations Committee meeting, the Operations Committee discussed the luxury tax that will be assessed to medical insurance companies under the provisions of the Affordable Health Care Act in 2018. PURMS feels they, and we, will qualify for the 40% luxury tax. CFO Parker described the

actual experience of the PUD medical costs and how it affects the employee contributions. CFO Parker stated there are two options 1) keep the employee premiums the same, 2) pass the approximately 14% cost savings to the employees by selecting the Experience based estimates as the PURMS Operations Committee recommends. Commissioner Oosterman suggested hiring a Consultant to advise the PUD on this issue. Commissioner Olsen does not agree with hiring a consultant, things are so unstable in the medical insurance industry at this time. Since there is no critical action date to react, he suggests the PUD holds the employee premiums where they are until there are more answers. The CFO will make a recommendation and ask for a decision at the next meeting.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing. She added that the Taylor Well went down on a Friday afternoon; she is looking into putting in a larger fan in the pump house. The Seahawk booster pumps kicked in and the system was being served by City of Olympia water for the weekend. She has added an alarm that will go to her if the pumps go down so we can respond to repair it before the storage tank is drained and the system uses City of Olympia water.

GM Weidenfeller added OM Gubbe is working on a lot of bids for work to be done.

OM Gubbe announced that her Operations Technical Assistant had twin girls. She will get a card for the Commissioners to send.

OM Gubbe explained the "significant deficiency" she received on a sanitary survey was due to new requirements. Had the sanitary survey been done one month earlier, it would not have been noted. She will be reviewing the new requirements to ensure this does not happen again.

GM Weidenfeller pointed out the updated maps on the wall.

GM Weidenfeller noted there is information in the packets about how to sign-up for National Incident Management Command (NIMS) classes and said he would be sending out more information in the future.

Commissioner Topics, Discussion and Reports:

Commissioner Olsen stated he will be reaching out to people regarding WI-FI.

Commissioner Stearns stated he attended the Chamber Forum. The Commissioners authorized his lunch reimbursement for the meeting. He also attended the TRPC meeting, they approved their budget and will be electing officers.

Commissioner Stearns would like to discuss changes to the PUD tax assessment with the Commissioners at a future meeting.

Commissioner Stearns attended the Lacey City Council meeting he took a moment to thank the City of Lacey and their staff for working so well with the PUD over the past year.

Commissioner Oosterman commented on her trip to Europe and the efficiencies they have which are so much better than those in the United States.

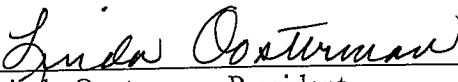
Summary of Assignments:

Add discussion item on tax assessments to a future Commission meeting.

Commissioner Olsen will bring back recommendations concerning possible membership in the Thurston County Chamber of Commerce and the Thurston County Economic Development Council.

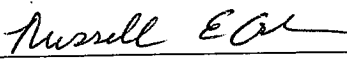
Adjournment:

Commissioner Olsen made a motion to adjourn the meeting, Commissioner Stearns seconded, and the meeting was adjourned.



Linda Oosterman, President

Attest:



Russell E. Olsen, Secretary