

Mason County PUD 1
Board of Commissioners Workshop & Special Meeting
November 18, 2014

Present

Ron Gold- President
Jack Janda- Board Secretary
Karl Denison- Vice President
Steve Taylor- General Manager
Greg Kester- Dir. of Finance & Customer Service
Jocelyne Gray- Director of Ops - Water
Kristin Masteller- Dir. of Employee & Public Relations
Darin Hall- Electric Superintendent
Rob Johnson- District Legal Counsel (for Business Meeting)

Visitors

(Business Mtg. Visitors)
Craig Norsen, Seneca Group

ELECTRIC BUDGET WORKSHOP

A board workshop was called to order at 10:00 a.m. to review the electric budget scenarios for 2015. No visitors were in attendance.

Greg Kester presented the electric department budget. He is predicting a rate increase in power costs from Bonneville of about 7% with the actual numbers being available in December. Greg stated that he felt that he can incorporate BPA's increase into the existing budget without passing that onto our ratepayers for the October 1, 2014 through September 30, 2015 rate period. The 2015 budget proposal also includes an FTE as part of a transitional succession plan for impending retirements in the accounting/IT area. Greg predicted a tier of 2.11 and debt service coverage (DSC) of 1.97 if power costs and revenue requirements are close to estimated levels. We're required to have a DSC of at least 1.25 to be bondable. The tier shows the ability to pay short term debt service; the DSC is for long term debt service, like bonds. We are in a good position to repay our debt service and secure future funding if needed. Greg showed beginning cash reserves of \$1.5 million, increasing with margin, depreciation and line of credit, and decreasing with general facilities, debt service and reserve funds. We will have short term reserves of \$1,461,000 which will be a decrease of about \$38,000, or nearly a breakeven point. The commission was comfortable with Greg and staff's recommendation to adopt a medium level budget with no rate increase for the next 11 months.

The budget workshop closed at 11:45 a.m. and Ron stated that the commission would break for lunch until 1:00 p.m.

The business meeting of the Board of Commissioners of Public Utility District No. 1 of Mason County was called to order at 1:00 p.m.

CONSENT AGENDA

By adopting the consent agenda, the following items were approved:

The minutes of the November 4, 2014 water budget hearing and special meeting;

Accounts Payable warrants #109035-109040 \$11,642.98, #109048-109098 \$49,646.95, and Payroll warrants #109041-109047 \$92,920.68 and Voids #109035 (\$130.25) and #109037 (\$360.13) for a total vouchers amount of \$153,720.23.

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Jack made a motion to approve the consent agenda as presented; Karl seconded the motion. It passed unanimously.

BUSINESS AGENDA

Interlocal Agreement with Kitsap PUD for Port Gamble Sewer Project

Rob and Steve reviewed an informal letter from the State Auditor's office stating that the SOA doubts that there would be any fault found with transferring the ownership of the wastewater project to Mason PUD 1. Silverdale Water District has also offered to discuss and vote on ownership of the project and KPUD has asked PUD 1 to be the secondary ownership option if Silverdale fell through. The District has statutory authority to do an LUD with Kitsap PUD. KPUD asked PUD 1 to table it this month and then revisit it in the December meeting if Silverdale decides against ownership. It was added to the December meeting agenda.

Lilliwaup Falls Generating Company Hydro Project

Steve has been working on this agreement with Terry Mundorf as well as Lilliwaup Falls' attorney. The language in the agreement has been approved by both sides. The only caveat is that there will likely be an amendment to the agreement that discusses the rate increase from BPA from January 1st through October 1st, 2015. There will be an amendment on how to pay Lilliwaup Falls and also keep the District whole over the next 10 months.

Karl made a motion to authorize the manager to sign the agreement with Lilliwaup Falls Generating Company, contingent upon attaining a MOU that outlines how the District will reimburse LFGC appropriately based on current Bonneville Power Administration rates so that there is no material loss to the District; Jack seconded the motion. Ron recused himself due to his involvement in the project. Motion carried.

Craig Norsen stated how great it has been to work with Darin and the PUD on this project.

CORRESPONDENCE

Jocelyne shared a letter from the Department of Commerce congratulating the District for successfully completing their Hood Canal A&B Intertie project utilizing Public Works Trust Fund loans.

GENERAL MANAGER'S REPORT- Steve Taylor

Steve reported that he, Kristin and Darin attended a labor negotiations training last week. He also purchased five remote disconnect meters to test the functionality of the Nighthawk system and how it interfaces with NISC. If it's successful, the next bunch of meters ordered will be pre-paid meters.

STAFF REPORTS

Darin Hall:

Darin reported that he found the presentation at the labor negotiations training very interesting. Had flagger recertification training at their safety meeting last month. Crew finished the T3 feeder coming down to Hwy 101 and have been working in the Lilliwaup area. The storm outages were pretty small

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except the transmission outage, but they went pretty smoothly to get the power restored. Karl asked to be included in the driver's training when its available again in the safety program.

Jocelyne Gray:

Jocelyne reported that they're hoping to finish up Mason Ave. main line replacement today and then do clean up tomorrow. This will provide a loop from the well on Sprague all the way to Dalby. She's hoping that this main replacement will clear up the coliform issue and then we can take that system off of chlorination. Crew will then go to Westward Way and work on the drainage issues. Jack asked Jocelyne to update Mr. Bolender on the plans for Westward Way. Jocelyne spoke to high school students about being an engineer at the Shelton High School career expo.

Greg Kester:

Greg said that he and Rob worked on the water budget resolution for next month to include the proposed rate increase and a rate equalization plan.

Kristin Masteller:

Kristin reported that she and Steve Brown also attended the SHS career expo. There were 1,400 students in attendance. Several older students were interested in PUD careers. The outage communications have been going very well. Posting pictures of the trees over the highway showed customers what we're dealing with. Out of the 1,200 customers impacted last Saturday morning during the scheduled outage in the north end, only 30 calls were logged in to the call center. We began the call capture feature for outage areas. Kristin will be giving out life insurance rate information this week.

Rob Johnson:

An appraisal is being conducted for the timber claim. No further report.

BOARD REPORTS/COMMENTS

Karl: Karl said that there are WPUDA association meetings being held this week in Olympia.

Ron: Ron spoke at the Civic Center last week on a small business owner panel and many of the students brought up energy issues, which impressed him. Ron thanked Darin and Steve for all of their work to help get Lilliwaup Falls online.

Jack: Jack asked for a response on WPUDA's request on the value and participation level of PUDs in their area's Economic Development Councils. At PPC, member utilities are taking a position on SCED.

Meeting Adjourned at 2:15 p.m.

Ron Gold, President

Karl Denison, Vice President

Jack Janda, Secretary