

Mason County PUD 1  
Board of Commissioners Regular Meeting  
June 10, 2014

**Present**

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

**Visitors**

Marcus Perry, BPA

The regular 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 May 27, 2014 regular meeting;

Accounts Payable warrants #108195-108219 \$35,825.82 for a total vouchers amount of \$463,747.24.

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

**Visitors**

Marcus Perry, Bonneville Power Administration

**BUSINESS AGENDA**

**Marcus Perry, BPA**

Marcus gave a year in review update for BPA including topics like the Colombia River Treaty, the Oversupply Rate Case, the upcoming rate case for 2016/17 and management of human capital. The board and Auditor told Marcus that the District is not in favor of having to pay for the wind energy oversupply. The ratepayers have to pay for this energy that we did not ask for and do not need. Most of the wind developers are investor owned and not publicly owned and preference is being disregarded. The power costs for the new rate case are 8.7% for 2016/17. Greg stated to Marcus that it's likely that this increase will result in the PUD having to raise its rates another 5% rate to cover these power costs. Jack and the board said that it is not acceptable to continue to have regular rate increases that are far above the rate of inflation. Jack would like to see BPA have a plan laid out to replace their facilities and system in a way that doesn't result in constant large increases each year after year. Jack also stated that out of the conservation money we send to BPA from our total power supply costs, we only get about 1/3 of that back from BPA for rebates for our customers. Jack feels that we could manage that better in-house. Large utilities are seeing the rebates instead of rural utilities. Our customers are not getting back the money they put in. Marcus offered a bi-lateral transfer option but Greg

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doesn't think that there will be money available. We had to give money back to Mason 3 last biennium but not this biennium. We are promoting conservation more now and are using the rebates quickly and have already used this year's budget in the first six months. The transmission projected increase is 6.1% for the next biennium. Marcus gave an update of the restructuring process status and how many cases were still left in the hiring preference process which has resulted in almost \$3 million of recovery expenditures for BPA.

**APPA Resolutions**

Ron is the voting delegate that will be attending the APPA conference. Jack made a motion that Ron supports the resolutions 14-10 and 14-11 at the upcoming APPA national conference; Karl seconded the motion. It passed unanimously.

**Bond Sale Results**

Greg gave an overview of our bond sale. We sent out our position papers to the investors and knew that we had a good position and inquiries from investors, even though they were nonrated bonds. We opened it up at 8 a.m. and by 8:10 a.m., we had 8,815 coupons ordered. We took the aggressive stance in the beginning and it paid off with a great interest rate. We sold the 3,585 coupons and dropped 10 base points from our original offer. The yield is at 4.4% instead of 5% and after 10 years, we can refund it if we want to. Estimated savings from bonds vs. RUS, will be \$877,186, or 24.5% total of the RUS debt over the next 20 years.

**April 2014 Financials for Electric & Water**

Greg presented the financial statements for April. The tier is up and looking good. Greg stated that the increase to power costs for water well houses is due to extra usage and also a power rate increase from PUD 3 so those increases shown in the financials are in line with our usage.

**Director to Manager Regarding Water System Funding**

Steve asked for direction from the board regarding how to fund capital improvements for systems that have a waiting list. We are getting more and more push back from customers regarding no connections available due to the cost of capital improvements needed to upgrade the systems. Steve proposed that we present to the board the cost of the money we would need to borrow to make the upgrades, conduct a public meeting for that water system and then get the feedback from the community. SRF and PWTF money is not as available anymore. Some of these systems have been waiting 15 years for connections. The board said they would like to see the other funding options that are available and discuss the impact to customers as well as the consolidation options. The commission said that the manager has their direction to move forward with these other funding proposals.

**CORRESPONDENCE:**

A thank you letter from a conservation customer and a thank you post on Facebook were shared.

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**GENERAL MANAGER'S REPORT- Steve Taylor**

Steve and Greg will be meeting next Tuesday in Seattle to discuss Lilliwaup Falls coming back online. Terry Mundorf will be representing the PUD in that matter. Tomorrow is Steve's seven year employment anniversary.

**STAFF REPORTS**

**Darin Hall:**

Darin reported on the outage this week. A cat got into the substation and landed on a recloser which ruined the part. We had a recloser in the shop that we rebuilt and it is being put on today. We had a blink in power yesterday because of an error in a switch opening and BPA had to shut the power off for a second to close the switch. BPA is in the process of moving their switch out of our substation. There were no safety issues but it was a potential inconvenience to the customers to have the blink in the power.

**Jocelyne Gray:**

Jocelyne sent out the Consumer Confidence Report post cards this week to customers; customers who requested it received paper copies of the report. Reservoirs were cleaned and inspected last week. There were no reports of anything wrong. Pirates Cove, Union, Madrona, Twanoh Heights, View Ridge Heights, Tiger Lake, and Lake Arrowhead water systems were the ones taken care of this year. Last Friday we had a call complaining of high pressure on Arrellum Road, which was due to the booster pumps being stuck "on" so we had to reset them. The pumps are working fine now. View Ridge Heights was finally granted 34 more connections which will serve the 18 people on the waiting list to get them connected for the system development fee.

**Greg Kester:**

No further report.

**Kristin Masteller:**

Kristin stated that the PUD 1 parade entry was great and very well received at the Forest Festival. The summer newsletter is ready to go out and we are promoting the CleanHydro campaign and the Go Paperless campaign. Customers who sign up to go paperless will receive \$5 back on their October billing statement. Paper statements cost the District about \$10 each year to send out per customer. The WPUDA communications group got to meet with Governor Inslee's press secretary and tour TVW last month. The group is putting together a communications strategy task force to get conservation efforts recognized in I-937 during the legislative off season. The employee picnic is on the 27<sup>th</sup>. Kristin is going to work on scheduling a DRS workshop for employees. We are holding our 2<sup>nd</sup> all employee meeting next Wednesday morning and Kristin will attend the first WPUDA HR group committee meeting next week.

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**Rob Johnson:**

Rob attended the PUD lawyer's meeting at Alderbrook. He went over some of the new legislative rulings that take effect his month. The Dept. of Health was promoting their new initiative to forgive up to 50% of their loans for water consolidations. He also discussed some of the I-502 issues that were discussed by the other PUD attorneys.

**EXECUTIVE SESSION**

Ron called an executive session at 3:50 p.m. to discuss a potential real estate transaction and also a matter of threatened or pending litigation (pursuant to RCW 42.30.110(c) & (i)). He stated the session would last for 45 minutes until 4:35 p.m.

Ron closed the executive session and called the regular session back in order at 4:35 p.m.

**BOARD REPORTS/COMMENTS**

**Karl:** Karl said the PRB has a conference call tomorrow regarding the Energy Northwest debt extension. He testified before the Fish & Wildlife planning council thanking them for not recommending the spill tests and for spanning out the fish work.

**Ron:** Attended a SWAT wilderness meeting at the tribe and was asked questions about Snohomish County incremental hydro.

**Jack:** Attended the PPC meeting. ENW received guidance from PPC supporting the debt extension of Projects 1 and 3. The Executive Board of ENW will consider their recommendations at the June meeting.

**Meeting Adjourned at 4:50 p.m.**

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Ron Gold, President

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Karl Denison, Vice President

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Jack Janda, Secretary