



Mason County Public Utility District No. 1
Board of Commissioners Regular Meeting Minutes
January 8, 2019 Potlatch, Washington

Present:

Jack Janda, President (via Skype)
Ron Gold, Vice President
Mike Sheetz, Board Secretary
Darin Hall, Director of Operations
Kristin Masteller, General Manager
Katie Arnold, Treasurer
Julie Gray, Executive Assistant
Rob Johnson, District Attorney

Guests:

Constance Ibsen

The meeting was called to order at 1:02 p.m.

APPROVAL OF CONSENT AGENDA:

Minutes:	December 11, 2018	Regular Meeting	
Disbursements:	Account Payable	116340 - 116440	\$ 490,405.12
		1130181 – 1130201	\$ 113,257.57
	Payroll Wire		\$ 167,069.83
	Total		\$ 770,732.52

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

BUSINESS AGENDA:

Establish Board Officer Positions

Ron Gold was appointed President, Mike Sheetz was appointed Vice President and Jack Janda was appointed Secretary. Each for a two-year term. Mike made a motion to approve this the slate of board officers as presented; Ron seconded the motion. It passed unanimously.

Association Committee/Voting Delegates for 2019

Mike made a motion to approve the Association Committee/Voting Delegate list for 2019 as presented; Ron seconded the motion. It passed unanimously.

Resolution No. 2018 – Reporting RUS Designees

Mike made a motion to approve Resolution No. 2018 – Reporting RUS Designees as presented; Ron seconded the motion. It passed unanimously.

Resolution No. 2019 – Sole Source for Itron Meters

Mike made a motion to approve Resolution No. 2019 – Sole Source for Itron Meters as presented; Ron seconded the motion. It passed unanimously.



Approval of 2019 Strategic Work Plan

Mike made a motion to approve the 2019 Strategic Work Plan as presented; Ron seconded the motion. It passed unanimously.

November 2018 Financial Report

Katie presented the November 2018 Financial Report

Financial Metrics as Compared with Prior Year:	November 2018	November 2017
Total General Cash and Investments	\$957,128	\$1,233,764
Current Ratio (Current Assets/Current Liabilities)	2.23 to 1	1.72 to 1
Debt Service Coverage (O&M/ Debt Service)	2.62	3.67
Long-Term Debt to Net Plant	46%	32%
Total Debt to Equity Ratio (Total Liabilities/Total Equity)	75%	58%
Long Term Debt to Equity Ratio (Long Term Debt / Total Equity)	64%	43%
Times Interest Earned Ratio (Earnings before Interest & Taxes/Total Interest)	3.69	6.04
Cash on Hand (Total Available Cash/Average Daily Costs) *Not including Special Funds	45 Days	58 Days

First Draft of Rate Hearing Materials

In line with both the COSA and finance committee recommendations, the District is proposing a 5% increase to both the basic service charge, and the kWh rate. Katie presented examples of what the 5% rate increase would look like for a residential customer using 800 kWh, and 1200 kWh per month. The overall increase would be \$5.18 for 800 kWh, and \$6.87 for 1200 kWh, including taxes. A chart was presented, showing where Mason PUD 1 stands, as compared to our neighboring utility districts. While Mason PUD 1 is higher than some of the other utility districts, Katie explained that you can't simply compare utilities' rates, without taking into consideration the size of the utility, growth factors, and fee schedule design. Though some districts have a lesser base charge and / or kWh rate, these districts also have the ability to collect fees through a "system capacity fee" for all new services, as well as other miscellaneous fees, such as a fee to disconnect service for a customer's panel upgrade (Mason PUD 1 does not charge a customer for this service). When the growth of the district is large enough, the connection fee essentially replaces any overall rate increase passed to all customers. Mason PUD 1 does not have the growth that other districts have, nor does it have the industrial or commercial loads that other districts have. Some of the other districts also have their own generation, which lowers their cost of energy.



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The District recognizes the importance of being fiscally responsible and wishes to reduce debt in the coming years. The District plans to take 1% of the gross revenue from the rate increase and designate those funds specifically for the early payoff of long-term debt. An amortization schedule was presented, showing the investment of these funds, interest dividend earnings, and how early the debt could be paid off. If the district were to designate 1% of its gross revenue each year, the District's outstanding debt would be paid off 11 years early, saving ratepayers approximately \$457,000.

PUBLIC COMMENT:

Constance Ibsen suggested there be less comparisons on the rate sheets next time and is in favor of paying off long term debt.

Commissioner Comment:

Jack and Ron commended Staff for doing a great job on the new rate study.

STAFF REPORTS:

General Manager Report

Kristin asked for a motion to be made to retain a water rights attorney for the Highland Estates water rights application. Bob Hunter from Kitsap PUD suggested Adam Gravley from Van Ness & Feldman.

Mike made a motion to retain the Law firm of Van Ness & Feldman, in the amount of \$5,000.00; Ron seconded the motion and it passed unanimously.

Kristin and Darin went to court this week for the arraignment of an employee who is accused of embezzling from the PUD. The employee did not appear, and her attorney asked for a delay until next week. Kristin spoke with a reporter from the newspaper, so the information will be made more public now. Kristin explained to the reporter that the District has been discussing the status of this embezzlement case all along in open public meetings and that some of the community knew, but that we didn't release a public statement on an investigation that was ongoing. Kristin explained that it has been the PUD that has been the driving force behind this case being prosecuted. Kristin, Rob and Darin are attending a meeting at DOH on 1/9 to discuss moving the Union Regional Water Systems Plan forward. Kristin, Ron and Darin will attend the WRIA and USGS ground water modeling plan meetings on 1/10. Kristin has coordinated a site visit with Energy NW to discuss how they can help move along some of the PUD's strategic plan items like the EV charger grant application. Kristin suggested that the Board of Commissioners send a thank you letter to Gray and Osborne for their work in 2018 on the Union Regional Water Systems Plan. The PUD will post a job opening for a Water Resource Engineer with a possible PE certification. This person would be able to do the PUD's civil engineer work also and it would offset the cost the PUD pays to BKI. Kristin will attend the 2nd leg of the Leadership Training on January 16 and 17 in Vancouver through NWPPA. Skamania PUD did a site visit to see NISC work live. Kristin has offered Katie's assistance to Jefferson PUD to show them how the budget module in NISC works as well as how we built our new financial reporting and budget process. Our potential new large load customer is requesting 5 megawatts of power each from the Duckabush Sub and the T3ba'das Sub. He is purchasing property next to the Duckabush sub, and plans to lease property from the PUD at the



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T3ba'das Sub. It will be a direct feed from the substations so there will be no line maintenance fees. Terry Mundorf will be writing the contract between the PUD and the customer.

Operations Report- Darin Hall

Darin reported that the PUD had several outages from the storm on 12/20. Those were taken care of and he sent two crews to help PUD 3 overnight. Darin had planned to produce the end of the year outage reports, but OMS is having a problem with the calculations. He will need to hand calculate for 2018, which will take a little more time. He will have them ready at a later date. We did a small round of meter audits. One large account was found to be off in the 40-50% range, which equals \$10,000-12,000 per year in revenue that will be now be captured. Darin will contact the customer to explain the change in the impending bills. The water crew has been busy checking the water systems that have big water losses. They found a big leak at Arcadia Estates, fixed it and are busy installing valves. A leak was also found at Minerva Terrace it was fixed. A new well pump was installed at Minerva Terrace. Darin submitted maps from water system main line replacement in 2018 for areas at Great Bend, Union Ridge, View Ridge Heights, Hood Canal and Highland Park. Topic for the last safety meeting was 'First aid and CPR'. Darin reported no accidents and no near misses.

Treasurer's Report – Katie Arnold

Katie reported that the State Auditor's exit audit will be held at the PUD on January 22. Katie also reported that the Public Rate hearing for the 5% rate increase will be held at the January 22 meeting.

Legal Report– Rob Johnson

Rob followed up with a fire hydrant question from the last board meeting. Washington State Supreme Court ruled several years ago that water system owners, including PUDs, are responsible for the maintenance of fire hydrants within their water systems. The PUD will test the hydrants to make sure they are operational. If they aren't, the PUD will tag them, so the general public will know that they don't work. Jack asked if interlocal agreements were allowed, Rob answered yes, but the problem being that fire hydrant maintenance and replacements are generally expensive.

Correspondence:

None.

Board Reports:

Mike Sheetz: Mike will be attending PPC.

Jack Janda: No report.

Ron Gold: Ron will be attending the watershed meeting.

Adjournment: 3.45 PM



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