

Skamania County Public Utility District #1
Special Meeting of the Board of Commissioners

October 8th, 2012

A special meeting of the Board of Commissioners was called to order by President Dennis Gale at 9:00 a.m. at the PUD office in Carson, WA. The following persons were present: Commissioner Curt Esch; Commissioner Dennis Gale; Commissioner Clyde Leach; Interim General Manager, Robert Gentry; Auditor, Jasen McEathron; General Foreman, Gary Leonard; Water Distribution Manager, Tom Vance, and HR Coordinator, Shonna Taylor.

The purpose of this Special Meeting was to conduct a workshop session on capital planning for the Electric System, Carson Water and Underwood Water Systems.

Manager Gentry presented a news release regarding proposed rate increases to the Board for review. Discussion was had on when the rate hearing would be. After discussion it was agreed that the rate hearing would be on November 20, 2012 at 7:00 at the PUD Headquarters.

Manager Gentry suggested that the Underwood Water Rate Hearing be held the same date as the Underwood Council Meeting, possibly on November 15, 2012. It was discovered that this date would not work due to other meeting conflicts.

The Carson Water System 10% rate increase has already been established by prior resolution so a rate hearing is not necessary.

Commissioner Gale would like to put an anticipated rate increase of 15% for the electric system and 25% for the Underwood Water System.

Electric Capital Improvement Plan

A draft 5-Year Financial Plan and Financial Analysis prepared by EES Consulting was provided to the Commission before the meeting for review.

Commissioner Gale spoke about the substation transformers purchased from Clark County. He wondered if a portable transformer would be a good idea. Gary Leonard, General Foreman, was available for questions. Commissioner Gale wanted to know if Gary Leonard was comfortable with these older transformers. Gary explained that nitrogen has been used to keep them dry. Transformer would need to be set in place and tested before being operational. Gary further explained that the existing transformer at the Underwood Substation has a problem on the secondary side. He would like to get this substation set up first and the spare transformer on line so the transformer presently in use can be taken off line for maintenance and repair.

Commissioner Esch wanted to know if the new transformers are any more compact. Gary Leonard wants to take the existing Underwood Substation transformer off line to do a repair, do two identical runs so they can switch back and forth to do maintenance. After discussion, Gary Leonard recommended we should go with what we have. The last cost estimate from Triaxis was \$508,000 to include the fittings, but we gave a very short lead time when put out to bid and wondered if that caused such a difference in costs when bids came in.

Commissioner Gentry explained that the District was not going to get by cheap on these substations. Commissioner Gale explained that we turned down bids that were in the \$800,000 range. Commissioner Gale

would like more accurate information on the costs. There is conflicting cost estimates on Scenario 2; 2012 to 2014 there is a \$500,000 gap.

Manager Gentry recommended to bring John Bakken of EES back in to explain. Manager Gentry recommends Scenerio #2. Manager Gentry explained that the Triaxis numbers were reviewed and have been revised. The engineering is still valid.

Gary Leonard further explained that Clark County can feed the west end plus with the reconductering that has been done on Highway 14, there is better ability to feed the Skamania area from the Bonneville Substation. If needed, North Bonneville can be fed from the Stevenson Substation.

Manager Gentry would like to start with the Underwood Substation, followed by Carson and Stevenson substations. Gary Leonard explained it would cost approximately \$125,000 to finish off the last 4,000 feet of Highway 14; this is a very tough area.

Commissioner Gale wanted to know if there was a schedule for the underground problem areas. Gary Leonard listed upcoming projects; McEvoy Lane in Stevenson. On the west end, Alder, Schull, and Taylor Rd., where there is a 500 foot stretch with several faults. Weather permitting, would like to get these areas done. Dobbins Road, maybe.

There was further discussion about overhead line and pole replacement. Commissioner Gale wanted to know if the underground faults were declining. Gary Leonard feels they are. He further explained that he likes to dig when it is dry and pull wire in during the winter.

Commissioner Gale wanted to know what was after Highway 14. Gary said underground and then rotten poles. He further stated that he would like to see a fourth man back on the tree crew. Commissioner Gale asked about the tree trimming schedule. Gary Leonard explained that they start on the east end and move west. They are presently in Stevenson. Gary Leonard left the meeting at 10:50 a.m.

Break at 10:50 a.m.

Meeting reconvened at 10:55 a.m.

Underwood Water

Commissioner Gale asked Water Distribution Manager, Tom Vance, what his concerns were. Tom Vance explained upcoming projects. Phase 2 on Scoggins Road, upgrading the 4 inch water line to 8 inch. We have adequate flow, but not fire protection. Any houses built on this line have to have fire sprinklers installed at the present time. Kramer Reservoir will be eliminated, it will be buried and the plan is to finalize this year. Commissioner Esch inquired about the number of connects available on this line. Tom Vance explained that this will have to go through the Skamania County Planning Department first and then before the PUD Board for approval.

Little Buck Creek Reservoir will come off next. This was built in 1983, but not leaking; Wallis thinks this is another good thing to eliminate to centralize storage.

Commissioner Esch inquired about variable drive pumps. Tom Vance explained that we have a variable pump at the Industrial site in Carson that is used on demand. In Underwood a lift pump is used, transferring water from reservoir to reservoir and doesn't know if it would be useful in Underwood; doesn't think it would be cost effective. Commissioner Esch also asked about the telemetry problem. Tom is working together with Scott Fielding on this.

Commissioner Gale referred to the Capital Plan of \$125,000, Schoolhouse to Cooper Rd. Tom explained that this line has the most leaks and the last of the 4 inch line needs to be upgraded to 8 inch. Approximately 3,500 feet is critical for fire flow and water loss.

Commissioner Leach explained that it may be more important to get the Cooper line done before the 2nd phase of Scoggins because there are customers on this line. Tom Vance concurred; there are more customers on the Cooper line.

Tom informed the Commission that 150 more meters need to be replaced in Underwood. The AWWA suggests at least every 7 years. Commissioner Esch inquired about master meter testing. Tom would like to get an extra master. Shepards flow meter is most critical, it is electronic.

Curt Esch inquired about the Shaddox place. Tom Vance said this residence was sold and the new owner drilled a well.

Commissioner Gale spoke about the money available for the projects, that there is not enough to do both Phase 2 of Scoggins and Cooper. Tom Vance thought maybe because of water loss, we should look at Cooper instead of Scoggins. We could switch years on when the jobs would be complete. Tom Vance discussed the Water System Plan Update. With the addition of other service areas; we may need additional water rights to expand.

The Commission spoke about bonding the two projects. Auditor McEathron reminded them that we need at a minimum, a 17 ½% increase to cover the annual debt payment. Auditor McEathron explained by raising the basic charge, elasticity would be eliminated. Commissioner Gale thought it would be wise to bond and raise the basic charge. Manager Gentry explained that in general, money is better leveraged by floating a bond to get capital, to continue the process in a utility, than just by raising rates in revenue charges. Commissioner Leach would like to look at the bonding, raising the basic charge, and review the rate, and possibly this would result in a reduced rate increase.

Auditor McEathron explained that the budget as passed was with a 25% increase in rate revenues which would achieve debt service coverage ratio of 1.5%, which does not provide capacity for additional debt. In discussion, we are mixing a few different things; it does not provide more capacity in that system to get debt. The additional revenue that would be needed for more debt is in addition to the current proposed rate increase. The budget as passed, 82.5% would be coming out of the construction fund for capital improvements. Manager Gentry explained for the rate hearing aspects of it, various rate designs with different options will have to be worked on for further discussion. Commissioner Gale would like the \$125,000 from the construction fund taken off and see how this affects the 25% rate increase. Bonding the two projects of approximately \$250,000 is an avenue the Commission would like to explore.

Commissioner Leach explained that the Underwood Water Rate Hearing date needed to be changed. Tom will look into possibly setting up a meeting November 27th or 29th if possible.

Carson Water

Commissioner Esch commented on the possible tank on Brooks Rd and wondered if another elevation should be looked at further up the hill. Tom Vance explained the scenic area boundary is at 680 feet. The reservoir would have to be at approximately 750 ft so all can be served in the Carson area. The proposed Brooks Road development can happen with sprinkler system installation to homes per the fire marshal.

Commissioner Esch concerned about liability to provide pressure for sprinklers. Tom Vance explained that we do not have standby generators on line, so if we can't provide to the sprinklers, that could be a problem. We would also have to require back flow prevention. Manager Gentry thought there should be an agreement to move forward before the District allows. Their connection fee could pay for generators.

Break for lunch at 12:25 p.m.

Reconvened at 1:15 p.m..

The Commission decided that the news release presented needed to be condensed and reworded. Manager Gentry asked for Commission input.

Commissioner Gale would like input on the Rate Stabilization Fund, how much, how to manage and should a cap be put on it with periodic replacement. Manager Gentry would like it to be used for multiple purposes; the rate adjustments are too narrow. Commissioner Leach didn't feel that was the original intent. Auditor McEathron is not putting allocation to this fund as of this budget. Auditor McEathron concerned that the general fund is not in a healthy position going into the winter months and would like to see 1.2 to 1.5 million for the general fund.

Commissioner Gale thought the Disaster Fund should be raised to \$1,000,000 instead of \$500,000. Commissioner Leach felt if we need to use the rate stabilization fund, we need to raise rates. Auditor McEathron suggested that we look at financial advisement for guidance so we can decide on the bond issue. Then, policy what the Board wants as far as debt service. Manager Gentry confirmed that advice is needed.

The Commission entered into Executive Session at 1:55 p.m. to evaluate General Manager applicants in accordance with RCW 42.30.110(1)(g), until 2:25 p.m.

Extended 15 minutes.

Extended 15 minutes.

Meeting adjourned at 2:55 p.m.

Dennis Gale, President

Curt Esch, Secretary

The next regular scheduled Board of Commissioners' Meeting will be:
October 15th, 2012 at 9 a.m.