



PUBLIC UTILITY DISTRICT NO. 1
of Jefferson County

October 11 2016

Special Board Meeting:
Cost of Service and Rate Workshop
Chief Financial Officer Hiring Process

Approved Minutes

The Public Utility District No.1 of Jefferson County (PUD) Public Hearing was held at at 310 Four Corners Road, Port Townsend, Washington. The meeting was called to order by the President of the PUD Board of Commissioners (Board) at 10:00 a.m. Attending:

Commissioner Kenneth Collins, President
Commissioner Barney Burke, Vice President
Commissioner Wayne King, Secretary

James Parker, District Manager
Kevin Streett, District Assistant Manager
Bill Graham, District Resource & Conservation Manager
Annette Johnson, District Records Administrator
Debbie Lund, District Human Resources & Communications Manager
Kim Younger, District Controller
Don McDaniel, District Consultant
Pamela Browning, District Minute Taker

Gail Tabone, EES Consulting

Introduction:

Commissioner Collins stated the meeting's purpose was to conduct a Rates Workshop, absorb EES Consulting's recommendations, and discuss options for adjusting rates. Jim Parker said the second part of the meeting would be a discussion regarding Chief Financial Officer hiring and using executive recruitment firms.

EES Presentation. "Proposed Rate Design for 2017 & 2018":

Gail Tabone reviewed the slide presentation and answered questions.

Notes to Accompany Slides:

- Slide #3:
 - COSA = Cost of Service Analysis
 - Correction: Final bullet should read, "January **2018** - Increase..."
- Slide #4:
 - CIP = Capital Improvement Program
 - Low Income Program: Commissioner Burke would like the Board to discuss whether or not to cap program funding at \$500,000.
 - TIER = Times Interest Earned Ratio
 - 9% Target Rate Increase may be lowered, due to expected lower-than-projected Bonneville Power Administration (BPA) 2017 rate increase.

- Slide #5:
 - EES will review projections and adjust figures based on current CIP and projected lower BPA rates.
- Slide #6: *Impacts on Rate Increases*
 - The Board will need to decide between Options 1 and 2 before rates recommendations can be finalized.
- Slide #7:
 - Commissioner Burke would like the PUD to have a target TIER of 1.5, rather than the minimum 1.25.
 - Option 2 is required when the PUD reaches 20,000 customers. Jim Parker distributed a description of State taxing requirements.
- Slide #8:
 - kWh = kilowatt hour
 - Rows in **bold** = average residential usage
- Slide #12:
 - Rows in **bold** = average usage
- Slide #19:
 - Correction: *January 1, 2017 Increase Basic Charge to \$30*
 - Recommendations based on 2015 data - may need to be revised.
- Slide #21:
 - These recommended rate increases will probably be lowered with projected lower BPA rates.
 - *Column 1: Jan 2017*: Reflects recommended increases over current rates.
 - *Columns 2 thru 4: June 2017, Jan 2018 & June 2018*: Each column reflects the recommended increase over the previous column.
 - *Column 5: 2017-2018*: Reflects total recommended increases for the two years.
- Slide #22:
 - PTP = Port Townsend Paper, *a.k.a.* the Mill.
- Slide #23:
 - NSF = Non-Sufficient Funds
 - JPUD - Jefferson County Public Utility District
 - kVA = kilowatt Volt Amps, (1,000 volt amps), "reacting power"
 - Final bullet: *Other fees*: Jim Parker distributed the PUD's *Schedule of Deposits and Charges*, which reflects Clallam PUD charges, and Kevin Streett's actual cost estimates. This material will be discussed at the PUD's upcoming public hearing on rates, and will be posted to its website.

Low Income Program Discussion:

Jim Parker distributed "Memo for Record: Expansion Low-income program to include all Jefferson County low income". He reviewed program management alternatives used by Clallam PUD, the City of Port Angeles, and Snohomish PUD.

Rate Structuring Next Steps:

- Agenda item for October 18 Regular Board Meeting: Resolve differences in CIP program numbers presented by Kevin Streett and those used by EES.
- Board decisions needed:
 - Reflect BPA 2017 increase now or wait until 2018?
 - Separate taxes from PUD charges, (on billings), in June 2017 or wait 1-2 years?
- Billing flier, if Board approves;
- One to three public hearings.

Issues from the floor:

- Maintaining TIER;
- Suggestion to edit slides to include customer number and dollar revenue generated for each rate;
- Inverted block rate structures' effectiveness and low income customer impacts;

- Port Townsend Mill rates;
- State utility charges;
- Revenue impacts of postponing meter replacements;
- Rate increase impacts on customers;
- Importance of efficiency and conservation efforts;
- School rate increases;
- Levelized Payment Plan marketing and conservation impacts;
- Lowering base charges for Rate 31, (Large Demand Primary) customers;
- Base charge increases: regressiveness, fairness and revenue impacts

Chief Financial Officer Search:

The Board and Staff discussed two executive search firms.

Meeting Follow-up:

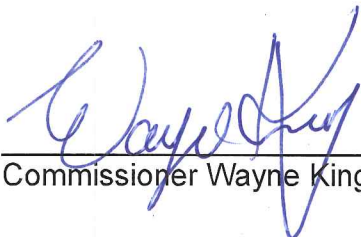
- Gail Tabone will review *Table 1: Proposed Revenues vs. Costs* projections, and adjust figures based on current CIP and projected lower BPA rates.
- Gail may need to revise *Rate 29: Irrigation*: Recommendation based on 2015 data.
- *Schedule of Deposits and Charges*: will be discussed at the PUD's upcoming public hearing on rates, and will be posted to its website.
- Future Agenda Items:
 - Low Income Program: Cap program funding at \$500,000?
 - Meter replacement timing;
 - Board decisions needed:
 - Reflect BPA 2017 increase now or wait until 2018?
 - Separate taxes from PUD charges, (on billings), in June 2017 or wait 1-2 years?

Adjournment:

MOTION: By Commissioner Burke; seconded by Commissioner King; and carried unanimously: to adjourn the October 11 2016 Rates Workshop at 12:00 p.m.

Minutes prepared by Pamela Browning, Minute Taker

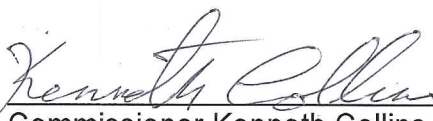
Approved:



 Commissioner Wayne King, Secretary

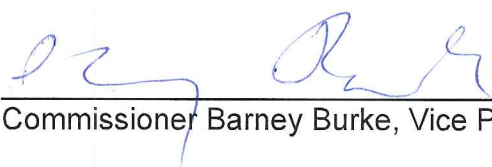
11/15/16
 Date

Attest:



 Commissioner Kenneth Collins, President

11-15-16
 Date



 Commissioner Barney Burke, Vice President

11/15/16
 Date