

MINUTES OF WORKSHOP OF COMMISSIONERS  
OF PUBLIC UTILITY DISTRICT NO. 3  
OF MASON COUNTY, WASHINGTON

The Commissioners of Public Utility District No. 3 of Mason County met in a commission workshop in the PUD 3 auditorium in Shelton, Washington, on Wednesday, July 20, 2016.

The workshop began at 1:00 p.m. District officers present were: Commissioners, Thomas J. Farmer, Linda R. Gott and Bruce E. Jorgenson. Manager, Annette Creekpau and Finance Manager/Auditor, Sherry Speaks.

The following PUD 3 personnel were present: Director of Business Services John Bennett; Director of Business Operations, Michelle Burlison; Administration & Strategic Coordinator Asia Cline; Engineering Services & Community Relations Manager, Justin Holzgrove; Telecommunications Manager Dale Knutson; EPM Telecom Systems Specialist Ben Mangeng; Public Information & Government Relations Manager Joel Myer; Telecommunications Services Assistant Terri Oberg; Director of Engineering, Terry Peterson; and Administration and Communication Services Manager, Lynn Eaton (recorded minutes).

Members of the public in attendance were Angela Bennink and Claire Ward of NoaNet.

The purpose of the workshop was to discuss the future of telecommunications build-outs and potential ideas to fund and prioritize the builds. In addition, changes to the telecommunications service rules and regulations were discussed as well as the need to establish rates for three new towers that are being erected for the grid modernization project.

Commissioner Gott welcomed everyone and asked if there were any modifications to the agenda. Hearing none, Ms. Gott asked for those present to introduce themselves.

Mrs. Creekpau began the presentation by explaining that the district currently has 467 miles of fiber and 627 end users connected to the system. She explained that the district has logged over 3,000 requests and that requests continue to come in daily. Staff will be presenting some ideas of how to respond to these customers with potential funding options as well as a way to prioritize the requests. While no action will be taken at the workshop she explained that staff will be requesting commissioners to make a policy decision on whether or not the District will move forward with future builds that can meet a ten-year cost recovery model or simply maintain the existing system.

Mr. Holzgrove began the presentation by comparing the PUD's fiber system to the electric system in order to clarify terminology as well as explain the challenge for customers to understand why they aren't able to connect to the District's backbone when it is located near their home. He also explained that while the utility has a large area of the county covered with its backbone, additional equipment such as huts and RC terminals are required in order to serve more customers.

Mr. Knutson reported on the volume of calls the utility is receiving from customers demanding telecom service, the passion and frustration level of customers, as well as the time strain this has caused for utility staff to manage the calls and inquiries. He explained that the customer who are calling are either un-served or underserved and are asking the PUD to come up with a plan. He said they have expressed that they have tried to work with their current providers without success and are contacting their legislators.

Mr. Myer further explained why many of the privates are not expanding to the rural areas. He shared that in addition to losing their federal phone funding, in many cases they are not able to justify a return on investment. He noted that the PUD is ineligible for government grants/loan funding and the public/private partnership poses a problem for the utility's current open-access, non-discriminatory model.

Mrs. Creekpau said that staff has developed a proposed solution to the funding hurdle. She explained that L.U.D.'s don't work well for areas like Mason County. She noted that maintenance and system benefit improvements to the fiber system could continue to be self-funded through the budget process, however proposed that the commission adopt a 'gig-a-build' rate that would help pay for new neighborhood build-outs (greenfields). Mrs. Creekpau further explained that certain criteria would need to be met in order to justify the build with the new rate.

Mrs. Creekpau explained that, if approved, staff would like the ability to prioritize builds based on various metrics such as take rate, cost of build, and ultimately cost recovery. The matrix provided to commissioners was an example of how this process might work. She pointed out that many details of how to implement the program would still need to be worked out. But she noted the new rate would include a time commitment from the customer until the project paid for itself. Under this model, the utility would use reserves or borrow money and only choose projects that fell below a ten-year cost recovery.

After a review of the telecommunications service rules and regulations and an overview of the new tower rates, Mrs. Creekpau summarized what will be asked of the commission. She said that staff is looking for a policy decision from the commission. Either an authorization to fund and prioritize of future fiber builds that meet the ten-year cost recovery model, or maintain the existing system. If the commission votes to not move forward with

this program, then customers can at least have a definitive answer. She noted that the customers who have made official inquiries would be notified by mail of the commission's decision.

Mrs. Creekpaum informed the commission that either way, a rate hearing will need to be held at an upcoming meeting for both the telecommunication rates as well as the tower rates.

Following the presentation, together with discussion and questions, the workshop adjourned at 2:07 p.m.

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Linda R. Gott, President

ATTEST:

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Bruce E. Jorgenson, Vice President

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Thomas J. Farmer, Secretary