

MINUTES OF PUBLIC HEARING
And
REGULAR MEETING OF COMMISSIONERS
OF PUBLIC UTILITY DISTRICT NO. 3
OF MASON COUNTY, WASHINGTON

President Farmer called the public hearing teleconference to order at 10:00 a.m. The hearing was held to receive comments on proposed electric rates, 2022 proposed budget, and commission redistricting.

The public hearing was held virtually using Microsoft Teams in Shelton, Washington, on Tuesday, November 9, 2021.

District officers present were: Commissioners Thomas J. Farmer, Bruce E. Jorgenson, and Linda R. Gott; Manager Annette Creekpaum; Attorney Robert Johnson; Finance Manager/Treasurer Sherry Speaks and Risk Manager/Auditor Brian Taylor.

The following PUD 3 personnel were present: IS Manager John Bennett; Benefits Safety and Environmental Programs Coordinator Ali Burgess; Communications & Government Relations Manager Lynn Eaton; Director of Business Operations Michelle Endicott; Customer Service Manager Diane Hennessy; Director of Engineering & Utility Services Justin Holzgrove; Energy Services Manager Koral Miller; Power Manager Michele Patterson, and Administration Services Manager Mary Taylor-Monger (recorded minutes).

Members of the public in attendance (video conference) were: Randy Lewis of Shelton, Ted Light of *Lighthouse Energy Consulting*, and Mark Golda of Shelton.

PUBLIC HEARING – PROPOSED ELECTRIC RATES

Mrs. Creekpaum stated that we are a cost-based utility, and our not-for-profit rates are in line with surrounding utilities and are some of the lowest in the nation. The staff continually analyzes our cost of service and what it takes to meet the continued commitment of safe, reliable, economical, and sustainable operations. There is continued customer growth, increased compliance mandates, and for the last two years, a pandemic. These are all significant budget impacts.

At Mrs. Creekpaum's request, Ms. Patterson provided details of the proposed rate increases.

- For residential, an increase to the energy rate of three (3) percent and increase to the system charge of \$0.15.
- For small commercial, an increase to the energy rate of four (4) percent and increase to the system charge of \$0.25.
- For industrial, an increase to demand of \$0.50.
- The schedule for Public Electric Vehicle Chargers has been adjusted as the methodology used aligns with residential rates.
- Based on 2,000-kWh use, the residential rate increase totals 4.68 percent with the increase to low-income residential at 2.94 percent.
- Projected total effective rate increase is 4.85 percent.
- Projected total increase in revenue of 5.66 percent.

Ms. Patterson reviewed a map showing neighboring utilities residential kWh rates. It shows that PUD 3 rates are in the middle. There are five (5) utilities lower and four (4) utilities higher than PUD 3. Drivers for the revenue requirement include upgrades to District infrastructure and supervisory control and data acquisition (SCADA) implementations for the grid modernization project, increases in material needs and other costs associated with both increased customer growth and COVID-related impacts, compliance requirements such as the pole inspection and treatment program, and broadband deployment costs. Details will be discussed at length in the budget hearing.

PUBLIC COMMENT

Resident Lewis made a public comment, asking clarifying questions and requesting additional information from staff.

Resident Golda made a public comment, asking clarifying questions and requesting additional information from staff.

Mr. Farmer stated that additional comments will be accepted prior to the next business meeting on November 23, 2021, when the proposed electric rates will be considered for adoption.

The public hearing on proposed electric rates was adjourned at 10:19 a.m. at which time the public hearing for the 2022 proposed budget was called to order by Mr. Farmer.

PUBLIC HEARING – PROPOSED 2022 BUDGET

Mrs. Creekpaum stated that PUD 3 is here to meet customer needs and present a budget based on a strategic plan of the district. The rate funded budget growth from 2007 to 2021 averaged 3.08 percent and the uncontrollable power cost during the same time was 2.3 percent. That is a difference of .77 percent. The consumer price index (CPI) for this period was 2.35 percent, therefore PUD 3 is beating inflation substantially at 1.58 percent. As with previous years, we use a zero-based budget approach and take a considerable amount of time analyzing the costs and determining the most economic method to deploy.

At Mrs. Creekpaum's request, Mrs. Speaks provided an overview of the proposed 2022 budget.

- \$88.3 million budget for 2022.
- Operating proposed budget is approximately 6 percent over 2021.
- Major project proposed budget is approximately 46 percent over 2021 with increased expenditures for grant projects.
- For residential customers, it includes a 3 percent increase in the energy rate and \$0.15 increase in the system charge. For small commercial, it includes a 4 percent increase in the energy rate and \$0.25 increase in the system charge. The budget also includes a \$0.50 increase in the demand rate for industrial.
- The budget projects a 0.98 percent decrease in kWh sales over 2021.
- Projects a 5.66 percent increase in the sale of energy revenues.
- Projects a 2.65 percent decrease in wholesale power rates and a 10.8 percent increase in transmission rates for the BP22 rate case.
- Approximately \$3.6 million will be spent in 2022 to meet renewable energy mandates.

- Continuation of the grid modernization program at \$1.2 million for 2022 with ongoing connectivity of the district's infrastructure and SCADA implementation.
- A continuation of Fiberhood buildouts for the CERB and Reconnect programs.
- Includes a \$1.7 million increase in debt service for the incremental changes in bond financing.

Mrs. Speaks said the COVID pandemic has caused significant increased costs to the utility for inventory, material, and other goods as well as intensified the need for faster deployment of high-speed broadband to the community. Much of 2020-2021 was spent juggling priorities to meet the increased demands for broadband. The focus of 2022 is to make significant progress on the telecom grants we have been awarded through CERB and ReConnect.

PUBLIC COMMENT

Resident Lewis made a public comment, asking clarifying questions and requesting additional information from staff.

Mr. Farmer stated that additional comments will be accepted prior to the next business meeting on November 23, 2021, when the proposed 2022 budget will be considered for adoption. The public hearing on proposed 2022 Budget was adjourned at 10:34 a.m. at which time the public hearing for the Commission Redistricting was called to order by Mr. Farmer.

PUBLIC HEARING – COMMISSION REDISTRICTING

Mrs. Creekpauam stated that a considerable amount of time was spent on the effort to determine Commission Districts for PUD 3. At Mrs. Creekpauam's request, Mrs. Taylor-Monger provided a review of the process.

Mrs. Taylor-Monger said that following the 2020 Census it was necessary to evaluate the possibility of redistricting the PUD commission district lines. After reviewing it was determined that Mason County population has increased but evenly within the current districts. The annexation of the Alderbrook area to PUD 1 was taken into consideration and determined to not be a factor in the need to adjust boundary lines. Mason County Commissioners are proposing to keep its current boundary lines as well.

PUBLIC COMMENT

No public comment was given.

The public hearing on Commission Redistricting was adjourned at 10:38 a.m. at which time the regular commission meeting was called to order by Mr. Farmer.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented.

CONSENT AGENDA

Mr. Farmer reviewed the items listed on the consent agenda. Mr. Jorgenson moved; motion seconded by Ms. Gott to adopt the consent agenda. MOTION PASSED UNANIMOUSLY. By adopting the consent agenda, the following items were approved:

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| a. | Minutes of the October 26, 2021, public hearing and regular commission meeting. | |
| b. | Voucher Nos. (November 2, 2021) 159231 through 159276
(Includes electronic funds transfer payment Nos. 30542-30570) | \$ 356,501.84 |
| c. | Voucher Nos. (November 9, 2021) 159277 through 159346
(Includes electronic funds transfer payment Nos. 30571-30602) | \$ <u>383,824.33</u> |
| | Total | \$ 740,326.17 |
| d. | Governance Policy Expense Approval | |
| e. | Void accounts payable check for the week ending October 29, 2021, in the amount of \$600.00. | |

*Vouchers audited and certified by the district auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the board.

PUBLIC COMMENTS

No public comment was given.

ACTION ITEMS

Recommendation was made to approve the Clean Energy Implementation Plan (CEIP) as required by the Clean Energy Transformation Act.

Mrs. Creekpau explained that this has been a lengthy process that involved the conservation potential assessment (CPA), demand response potential assessment, and a public engagement process. A public hearing and presentation was held on October 26, 2021.

Mr. Farmer motioned, seconded by Mr. Jorgenson to approve the Clean Energy Implementation Plan (CEIP) as required by the Clean Energy Transformation Act. After a brief discussion, MOTION PASSED UNANIMOUSLY.

STAFF REPORT

Mrs. Creekpau reported on the current COVID-19 efforts. As of November 9, 2021, there are 5077 confirmed COVID-19 cases, and sixty-eight (68) COVID related deaths in Mason County. There were 364 new confirmed cases in the last fourteen (14) days and 560 confirmed cases per 100,000 tested. Washington State, as of November 9, 2021, has 654,922 confirmed COVID-19 cases, 8,827 COVID related deaths, and 10 million vaccinations given. The vaccination mandate has been released for employers of over 100 employees but there are issues in the courts delaying its implementation.

Mrs. Creekspaum stated that \$65 million comes to Mason County through state pension. The Department of Retirement Systems requesting to hire twenty-two (22) more full-time employees to assist in the processing of documentation.

At Mrs. Creekspaum's request, Ms. Patterson provided a Power Situation Statement for September 2021.

At Mrs. Creekspaum's request, Mrs. Eaton provided information on recently received American Public Power Association (APPA) national awards. She said we received two (2) awards. The first for the PUD 3 Newsletter; and the second for a video made by Mr. Holzgrove for Olympic College titled "Future of Hope".

Mrs. Creekspaum stated that the Olympic View Generators have been sold. The agreement has been executed with Generator's Plus and the equipment will be removed by May 31, 2022.

Mrs. Creekspaum provided a telecom statistics report. Year to date, through October, there have been 481 new construction applications, compared to 2020 of 409.

Mrs. Creekspaum thanked customer service for its hard work during October after the lifting of the COVID payment moratorium. Staff worked hard at contacting customers and making payment arrangements for delinquencies to avoid possible interruption in service.

Mrs. Creekspaum thanked Commission and their families for their service to our country as we celebrate Veteran's Day this week.

COMMISSIONERS' REPORT

Ms. Gott reported that she attended the Energy Northwest Board and Public Power Forum, OPEB, PURMS, and PPC meetings.

Mr. Farmer reported that he attended the PPC, NRU, and PNUC meetings.

GOOD OF THE ORDER

Mr. Farmer requested that to avoid noise and interruptions that the mute feature and audio be reviewed for future meetings.

FUTURE AGENDA ITEMS

Ms. Gott requested that the 2022 Commission meeting schedule include two (2) meetings in December to avoid too much time between meetings.

With no further business appearing, the commission meeting adjourned at 10:58 a.m.



THOMAS J FARMER (Nov 23, 2021 11:18 PST)

Thomas J Farmer, President

ATTEST:

Bruce E. Jorgenson
Bruce E. Jorgenson (Nov 23, 2021 17:41 PST)

Bruce E. Jorgenson, Secretary

Linda R. Gott

Linda R. Gott (Nov 23, 2021 17:15 PST)

Linda R. Gott, Vice President