

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

President Gott called the public hearing to order at 10:00 a.m. The hearing was held to receive comments on proposed electric rates and 2023 proposed budget.

The public hearing was hybrid, virtually using Microsoft Teams and in person at the Johns Prairie Operations Center in Shelton, Washington, on Tuesday, November 8, 2022.

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

The following PUD 3 personnel were present: Communications & Government Relations Manager Lynn Eaton; Director of Business Operations Michelle Endicott; Director of Engineering & Utility Services Justin Holzgrove; Energy Services Manager Koral Miller; Network Systems & Cyber Security Administrator Joel Moore; Power Manager Michele Patterson; Administration Communications Assistant Shaylynn Sweitzer; and Safety and Environmental Programs Coordinator Ali Burgess (took minutes).

Members of the public in attendance were: Dedrick Allan with *Mason Web TV*; Laurie Hall of Shelton; Randy Lewis of Shelton; Mike Oblizalo of Union; Vincent Tejada of Belfair; Juli Tuson of Shelton; and Larry Hutchings (attended virtually).

PUBLIC HEARING – PROPOSED ELECTRIC RATES

Mrs. Creekpaum shared that information on the proposed rates were made available to the public, however no requests were made prior to the hearings. She explained that the notifications for the public hearings were issued in compliance with the laws, however added that additional notifications were sent out via text messages to customers as well as emails, and a billing message on the monthly bills. She noted that the 2023 proposed rates are a result of six (6) months of staff work, a comprehensive cost of service rate study, and the updated power contract with Bonneville Power Administration (BPA) which included a five percent rate increase for wholesale power to Mason PUD 3 - one of the highest in the area. Drivers for the rate increase include, the wholesale power rate increase, the loss of BPA's low-density discount, an increase in residential consumption which has caused higher than normal wholesale demand and load shaping costs. In addition to the increase in electric rates, the other rate impact includes a requirement to provide an additional low-income program that complies with the Clean Energy Transformation Act (CETA) resulting in a proposed surcharge to all customers not considered low-income or vulnerable populations.

Mrs. Creekpaum also noted that while the District is not required to hold a hearing for the pole attachment rates, the recommended pole attachment rates are being included in the rate hearing and licensees have been provided notice of the hearing for transparency.

At Mrs. Creekpau's request, Ms. Patterson presented the details of the proposed rate increases. She covered a couple of recommended changes to the rate schedules which were previously approved by resolution however will take effect January 2, 2023:

- Grandfathering the Residential Low-Income Senior and Low-Income Disability Discount Schedules so that it is no longer available except to customers currently receiving the discounts as of January 2, 2023. (Previously approved by Resolution No. 1784).
- The Low-Income Energy Assistance Surcharge also approved by the same resolution has been added for transparency under a new area titled Supplemental Schedules.

Ms. Patterson covered additional proposed changes to the rate schedules which will be effective April 1, 2023:

- For residential, it includes an increase to the energy rate of 5.84% and no increase to the system charge.
- For small commercial, it includes an increase to the energy rate of 4.47% and increase to the system charge of \$0.10.
- For large commercial, it includes an increase to the energy rate of 5.25% and increase to the system charge of \$0.10.
- For cannabis, it includes an increase to the energy rate of 4.96% and increase to the system charge of \$0.20.
- For industrial, it includes an increase to the energy rate of 7.87% and increase to the system charge of \$0.62.

Ms. Patterson reviewed a map of the neighboring utility's residential kWh rates. It shows that PUD 3's bundled rate, which includes the proposed new rates, is in the middle of the range. The colored scale is based on the all-in rate which includes the energy cost of 2,000 kWh and the system charge. There are five (5) utilities lower than Mason PUD 3 and four (4) utilities with higher all-in rates. Ms. Patterson reiterated some of the drivers that Mrs. Creekpau summarized and mentioned that more details will be presented on other drivers during the budget presentation.

At Mrs. Creekpau's request, Mrs. Speaks discussed the proposed pole attachment rates. The pole attachment rates were determined by a similar rate study process with an outside consultant. The firm utilized the mandated calculation and found that pole attachment rates should be \$39.80, however staff is only recommended rates be raised to \$33.00. Mason PUD 3's current rate is \$27.00 and the proposed rate is \$33.00. The rate study will be repeated every couple of years to make sure PUD 3 pole attachment rates are covering the cost of administering attachments and the maintenance of poles to ensure a safe and reliable system.

Mrs. Speaks added there will be a six (6) month notification period in accordance with the contracts signed by each licensee and the rate will take effect with the next billing.

PUBLIC COMMENT

Hood Canal Communications Vice President and General Manager, Mike Oblizalo, made a public comment with concerns about pole attachment rates.

The public hearing on proposed electric rates was adjourned at 10:16 a.m. at which time the public hearing for the 2023 proposed budget was called to order by Ms. Gott.

PUBLIC HEARING – PROPOSED 2023 BUDGET

Mrs. Creekpaum stated that the PUD 3 budget is based on the strategic plan and remains under the rate of inflation by over two percent.

At Mrs. Creekpaum's request, Mrs. Speaks gave an overview of the proposed budget. She noted the proposed operating budget for 2023 is a balanced budget using a zero-based budget approach with expenditures and receipts estimated at \$101.2 million which is a \$12.8 million or an 14.5% increase over the 2022 adopted budget. The proposal does anticipate the rate increases discussed at the previous hearing with a low-income surcharge beginning in January of 2023 and the rest beginning April 1, 2023. Mrs. Speaks explained one of the major drivers of the budget include a rate increase in wholesale power from the Bonneville Power Administration (BPA) as well as losing the low-density discount from the BPA. She said the projected expenditures of purchased power is approximately \$33.3 million, which is about 41% of the rate funded budget. Other major drivers noted include the inflation of costs of goods and services resulting from the pandemic, continual customer growth, demand for broadband expansion, and rising fuel costs. Additionally, the District has numerous major capital projects anticipated for 2023 which also include several grant projects. Because of the nature and timing of grant expenditures, receipts, and matching requirements, in addition to the continued unpredictability of the cost of materials, difficulty in load forecasting, and other unpredictable variables included in the 2023 budget, the District supplemented a little more than \$5 million from the District's reserves to help balance the budget and smooth the impact on customer rates.

After a brief discussion about the requirements of the Clean Energy Transformation Act to provide a new low-income program, its impact on the 2023 budget and the District's existing low-income programs, as well as changes in eligibility requirements, Ms. Gott asked for public comment.

PUBLIC COMMENT

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

Vincent Tejada made a public comment, asking clarifying questions and requesting additional information from staff.

Mr. Farmer pointed out that additional comments will be accepted prior to the next business meeting on November 22, 2022, when the proposed 2023 budget will be considered for adoption. He explained that he met with staff several times to discuss the proposed budget and the many moving parts. Mr. Farmer thanked staff for their hard work and noted that the proposed budget represents these economic times, the major loss of the BPA low-density discount, and the growth in Mason County.

Ms. Gott thanked staff for their hard work on the proposed budget and noted this is the most challenging budget she has seen in 24 years.

The public hearing on proposed 2023 Budget was adjourned at 10:50 a.m. at which time the regular commission meeting was called to order by Ms. Gott.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented.

CONSENT AGENDA

Ms. Gott reviewed the items listed on the consent agenda. Mr. Farmer moved; motion seconded by Mr. Jorgenson 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 25, 2022, regular commission meeting. | |
| b. Voucher Nos. (November 1, 2022) 162925 through 162988
(Includes electronic funds transfer payment Nos. 36428-36456) | \$ 540,849.03 |
| c. Voucher Nos. (November 8, 2022) 162989 through 163053
(Includes electronic funds transfer payment Nos. 36457-36483) | \$ <u>309,361.09</u> |
| | Total |
| d. Governance Policy Expense Approval | \$ 850,210.12 |

*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 Resolution No. 1788, A Resolution Declaring Distribution System Items Surplus (PCB Free and Non-PCB Contaminated).

At Mrs. Creekpau's request, Mrs. Burgess stated that Transformer Technologies is the vendor used for recycling and disposal of transformers when they can no longer be salvaged. Materials are hard to get so all transformers fit for repair are sent to Valley Transformer. These fifty (50) transformers are not repairable.

Mr. Jorgenson motioned, seconded by Mr. Farmer to approve Resolution No. 1788, A Resolution Declaring Distribution System Items Surplus (PCB Free and Non-PCB Contaminated). MOTION PASSED UNANIMOUSLY.

STAFF REPORT

Mrs. Creekpau reported on the current COVID-19 efforts. As of October 31, 2022, protocols changed and testing is now done at home. There is no longer a contractor reporting on COVID-19 in Mason County, but the hazard still exists and the state still has safety requirements. There was one (1) positive case at PUD 3 since the last commission meeting.

Mrs. Creekpau provided a service engineering statistics report. Year-to-date, through October, there have been 938 new service applications, compared to 856 in 2021, an increase of 82 applications.

Mrs. Creekpau provided a service order statistics report. Year-to-date, through October, there have been 1,207 service orders, compared to 1,013 in 2021, an increase of 194 or twenty (20) percent.

Mrs. Creekpau provided telecom statistics report. In October there were 27 new service applications and 95 retailer turn up/turn down, for a total of 122 requests.

Mrs. Creekpau read an email from a customer thanking the PUD for their service.

Mrs. Creekpau thanked Mrs. Eaton for her recent presentations at the Chamber of Commerce and Fire Commission Association meetings.

Mrs. Creekpau stated she attended the meeting with Administrators in Mason County with Senator Maria Cantwell and US Representative Derek Kilmer who were sponsors of the recently approved Recompete Act which is awaiting approval funding through the federal budget process. The Act is targeted at expanding infrastructure in rural communities. This funding would establish a new federal block grant program at the Economic Development Agency (EDA) to empower persistently distressed communities with flexible 10-year Recompete Grants to meet local economic development needs, create good jobs, invest in their workers and businesses, connect local residents to opportunities and resources for long-term success, and rebuild stronger with lasting opportunity and economic growth. Both legislators would like to see Mason County be one of the few recipients of the grants.

COMMISSIONERS' REPORT

Mr. Farmer reported that he attended will be attending the NoaNet meeting November 9.

Ms. Gott reported that she attended the Energy Northwest Board and Public Power Forum and a PURMS meeting. She will also be attending the NoaNet meeting November 9.

GOOD OF THE ORDER

FUTURE AGENDA ITEMS

Ms. Gott stated that the manager evaluations are due at the next meeting.

With no further business appearing, the commission meeting adjourned at 11:02 a.m.



Linda R. Gott (Nov 22, 2022 13:14 PST)

Linda R. Gott, President



Thomas J Farmer (Nov 23, 2022 13:17 PST)

Thomas J Farmer, Vice President

ATTEST:



Bruce E. Jorgenson (Nov 23, 2022 13:19 PST)

Bruce E. Jorgenson, Secretary