

**WORKSHOP NOTES OF THE BOARD OF
COMMISSIONERS OF KITTITAS COUNTY PUD #1
MARCH 31, 2015**

The workshop of the Board of Commissioners of Public Utility District #1 of Kittitas County was called to order by President Roger Sparks at 10:00 A.M.

Those Present:

Rogers Sparks, President
Shan Rowbotham, Vice President
Matt Boast, General Manager (GM)
Brian Vosburgh, Operations Manager (OM)
Genine Pratt, Finance Manager (FM)
Kelly Carlson, Admin Assistant

Guests: None

GUEST COMMENTS:

None

DISCUSSION:

Warehouse Inventory Policy:

OM Vosburgh went over the process that staff has taken to get to this point. He explained that a large part of this process was putting steps in place that will ensure improvement in inventory control. He presented the Commissioners with the 2014 inventory recap report and proceeded to explain the report and field questions from the Commissioners.

Commissioner Rowbotham asked OM Vosburgh to clarify the work order process from estimate to closure which he did. OM Vosburgh then stated that he has created two manuals, and overhead standards book and an underground standards book. He explained what the books contained and how they will be used.

GM Boast stated that the bad news was the inventory variance for 2014 was around \$50K which is unacceptable and that is why all of these processes have been put into place. He stated the goal is to get to a 5% variance.

Commissioner Sparks asked FM Pratt if the new process is coming together and FM Pratt replied that staff continues to work on the process and will need more understanding and training for all employees involved.

Commissioner Rowbotham questioned the \$83K meter inventory variance. FM Pratt explained the reasoning for this variance. She stated that she capitalized two years (based upon past history) worth of meters and then placed the remainder in inventory. GM Boast stated that the District did over purchase on meters so we are looking to try to sell back or other options.

Commissioner Rowbotham suggested staff contact the City of Ellensburg to possible sell but the badging issue may be a problem. OM Vosburgh will contact Gen Pac to see if the meters can be re-badged and then contact the City of Ellensburg.

Attention then went to the inventory policy document and Commissioner Rogers arrived at 10:53 a.m.

Commissioner Rowbotham stated that the policy is very detailed but Commissioner Rogers felt staff were going too far, too restrictive.

Irrigation Rates Discussion:

Commissioner Rowbotham went over corrected handouts to show the possible options for large irrigation users. He stated that he felt there was a general distaste for the horsepower charge. He stated that he was leaning towards option #2, no horsepower charge but have a minimum charge (\$30/mo) and they will only pay for what they use. Commissioner Rogers asked if staff were still disconnecting the irrigation pumps during the winter, GM Boast replied no.

Commissioner Rowbotham then went over the options for the small irrigation users and stated that no matter how he calculated there would be some customers that would be negatively impacted. This followed with much discussion on horsepower thresholds. Commissioner Rogers was concerned with the large impacts to customers and Commissioner Rowbotham stated that it was due to consumption.

There was further discussion on irrigation categories and the possibility of creating a "medium" rate class. Doing this would move meters around and possibly rid the need to install demand meters on a few services. Commissioner Rogers is concerned over public response to the new rate schedule and suggests keeping the horsepower charge and dividing up over 7 months billing schedule. Then he suggest looking at this again in October to make the new irrigation rates go into effect January 1, 2016. This would give the District time to clarify the impacts of the BPA rate increase and not affect the District's 2015 budget. GM Boast stated that Commissioner Rogers's suggestion is the least risky for the District but does not solve the long term problem. Commissioners ended the discussion and will discuss further in the regular meeting at 1:00 and possibly come to a decision/direction.

Lauderdale Project Update:

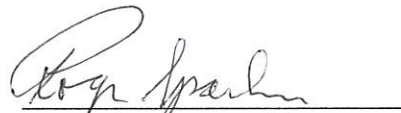
OM Vosburgh updated the Commissioners on the status of the Lauderdale project.


Commissioner Rowbotham stated his concerns that it looks as if we are splitting the Burke rd overhead and underground when it looks like they are one project. OM Vosburgh explained that they are actually two different projects, one is being completed by our PUD crew and the other was planned/budgeted to be done by contract but the PUD crew may be able to complete a large portion of the project without exceeding the \$300K limit. Commissioner Rogers commented that he would like to see if we could lump some of the other sections of the project together to allow completion sooner. OM Vosburgh explained that we had phased out the project due to budgetary constraints, Commissioner Rogers suggested the possibility of borrowing ahead to complete the entire project.

Workshop adjourned at 1:00 P.M.

ATTEST:


Paul Rogers, Secretary


Roger Sparks, President


Shan Rowbotham, Vice President