

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE JOINT WORK SESSION OF
THE BOARDS OF COMMISSIONERS
OCTOBER 1, 2018

A joint work session of the Board of Commissioners of Public Utility District No. 1 of Clallam County and the Board of Commissioners of Clallam County was held at the Main Office, 104 Hooker Road in Sequim, WA, on the above date commencing at 2:00 p.m.

PUD Commissioners: Hugh E. Simpson, Jr., President
 Will Purser, Vice President
 David Anderson, Secretary

Staff Present: Doug Nass, General Manager
 John Purvis, Assistant General Manager
 Sean Worthington, Finance Manager/Treasurer
 Tom Martin, Water & Wastewater Systems Superintendent
 Steve Schopfer, IT Manager
 Nicole Clark, Communications Manager

County Commissioners: Randy Johnson
 Bill Peach
 Mark Ozias

County Staff Present: Andy Brastad, Director, Health & Human Services
 Rich Sill, Human Resources Director
 Steve Gray, Deputy Director and Planning Manager DCD
 Carol Creasey, Hydrogeologist DCD
 Ross Tyler, County Engineer
 Joe Donisi, Assistant County Engineer
 Mary Ellen Winborn, Director DCD

Others Present: Fred Mitchell
 Mike Doherty (part-time)
 Patti Morris
 Rob Ollikainen

The Carlsborg Urban Growth Area (UGA) water rights topic was moved to first on the agenda. County Hydrogeologist Carol Creasey provided an update on the status. The County has identified potential well sites. Once the Washington Department of Ecology has approved the selection, an RFP may be issued in November, with a contract selected in January, and drilling in March for test sites. PUD General Manager Doug Nass asked about the status of the County acquiring additional water rights to serve customers within the UGA but outside the PUD's Local Utility District (LUD). Ms. Creasey explained that in 2006, the PUD applied for 215 acre feet and feels that will be sufficient for the initial build-out of the Carlsborg UGA based on current zoning. If the County upzones then that water right request will not be sufficient. General Manager Doug Nass expressed that the District has designated certain rights for the existing LUD and clarified that the 2006 application would allow initial extension of PUD's rights into the UGA outside of the LUD, and that further development would need assistance from the

County to acquire future rights per the County and District interlocal agreement. General Manager Doug Nass noted that based on current zoning densities, the sewer system was over-designed. PUD Water & Wastewater Systems Superintendent Tom Martin concurred and added that zoning densities used to design the sewer should also be used for anticipating the future water supply needs. He said that the County designed the sewer using zoning densities that the Carlsborg Citizen Advisory Committee recommended. Mr. Martin noted that the County adopted zoning with densities that were lower than those recommended by the citizen committee. Mr. Martin recommended that the County submit a new water right application as soon as possible for the additional quantity of water needed for future water needs according to the zoning densities that County used for sewer design. Mr. Martin agreed with Commissioner Ozias that a predetermined threshold could be established to trigger an aggressive pursuit of future water rights but recommended submitting an application now in order to get in line as it is not known what mitigation requirements will look like in the future. Ms. Creasey felt it would be better perceived by the Washington State Department of Ecology (DOE) if approval was received on the 2006 application before submitting a new one. General Manager Doug Nass asked for Ms. Creasey's best guess on the approval timeline and Ms. Creasey responded that it was anticipated to be shortly after test drilling. Commissioner Bill Peach said that full-buildout should be defined using the adopted lower densities. Mr. Martin said that defining full-buildout demand at current low densities would constrain future County commissioners from increasing the zoning densities. Commissioner Bill Peach agreed with Commissioner Will Purser that both agencies should agree on what the full buildout looks like.

General Manager Doug Nass asked about the status of mitigation requirements. Ms. Creasey explained that the percentage would be significantly less if water was taken out of new 3rd or 4th deeper aquifer sites instead of the second aquifer of the existing wells. Once the test wells are drilled the County will be able to negotiate the mitigation percentage with DOE. Commissioner Bill Peach was concerned with the cost allocation and need to identify the costs and who bears those, such as drilling and mitigation. General Manager Doug Nass recalled that in the interlocal agreement it was listed as the County's expense to acquire the additional water rights. Mr. Martin explained that once the water right is acquired, that the building of the distribution and storage system is the PUD's responsibility. Drilling test wells, mitigation and developing the well are all part of getting the water right and therefore the County's expense. Commissioner Bill Peach asked about a scenario where the deepest well with lowest mitigation percentage isn't in the PUDs best interest as far as the cost for the distribution and storage. Mr. Martin said there could be a scenario where the lowest cost option for a well site would result in a higher cost for a transmission line. There is a tradeoff of certainty of getting the water vs the cost of the transmission line. The further north you go the thicker the aquifer and the greater the certainty of getting water, so he thinks it is in the best interest of all to go further north for a deeper, thicker aquifer, even if the PUD transmission costs are higher. Commissioner Mark Ozias suggested establishing a joint working group that could take on the issue of cost balance and alternatives in order to move forward hand-in-hand. Commissioner Will Purser asked if anyone had looked at present value of pumping vs. mitigation costs. Mr. Martin confirmed that he has conducted that analysis and that this type of mitigation is being proposed as the consultant suggested that moving some of the production in the current well to a new wellsite would alone qualify as mitigation. Commissioner Will Purser requested to see the cost analysis of each option. Commissioner Mark Ozias said there is a meeting on October 15 at which they will receive from the consultant what the top two options are. Commissioner Ted Simpson suggested a joint building fund as he has a concern with the people in the existing LUD and protecting what they have invested in the system. Commissioner Will Purser asked about the availability of grants or

loans. Mr. Martin explained that the grants and loans are intended to fix a water problem, not provide for growth.

Commissioner Mark Ozias asked if there was some way the two agencies could work together to accommodate requests for development in Carlsborg that are adjacent to a place where the PUD might be able to provide water where there isn't a water right. Ms. Creasey said now that the sewer is in Carlsborg, there has been interest in development which requires connection to sewer, which also requires water. Commissioner Mark Ozias asked if, in the short term, the County could borrow a small amount from the PUD's water right to facilitate short-term development with the intent of acquiring future water rights. Commissioner Ted Simpson said that he did not view that as a problem but would like to hammer out details for more certainty. Mr. Martin reminded the commissioners that the existing water right is not sufficient to supply the future demands of the LUD. Even though the quantity of existing water right is not currently being used, taking this unused water and using it outside of the LUD would leave the LUD short of water in the future.

Mr. Martin suggested that the County get water rights for short-term developments outside of the LUD from the Dungeness Water Exchange. DCD Director Mary Ellen Winborn noted that if the County went through the Dungeness Water Exchange the cost for a mitigation certificate would be too high. Ms. Winborn cited the current example of a proposed 22-unit housing development located in the UGA but outside the LUD. She said the mitigation cost would not pencil out for the developer because the 10-times increase in cost of mitigation in a sewer area. Mr. Martin indicated that the County had since 2013 to provide the planned mitigation of sewer areas, which would have avoided the cost increases. DCD Director Mary Ellen Winborn suggested getting together again after the October 15 meeting.

Commissioner Mark Ozias introduced the subject of small water systems that are facing difficulty with the cost of maintenance and testing, explaining that it would be in everyone's interest to provide education up front to the owners of these systems so it doesn't place the hardship on the County or PUD if they go into receivership. Bullman Beach was listed as an example. Commissioner Bill Peach explained that the owners decided to continue the water system as it is currently organized. If they walked away from it however, the question is who inherits it? The Washington Department of Health (DOH) said Bullman isn't the only system on the edge of financial sustainability. Mr. Martin provided a brief on his communication with a partial group of the Board of the Bullman Beach system. They wanted to know what it would take to have the PUD take over their system. Tom explained the LUD process. It is up to the petitioners to pay for the analysis of what it would take to bring the system up to PUD standards. If they were to go into receivership it would default to the County. Commissioner Bill Peach asked what it would look like for the County to have an agreement for the PUD to manage the system since the County is not in the business of operating water systems. Will Purser reiterated that the system participants would have to petition for LUD formation. The PUD would need the funding to cover the cost of service. DOH had a list of seven systems in Clallam County in distress.

Commissioner Ted Simpson feels that with current and anticipated water issues that he requests the County have allowances in the Shoreline Management Plan for the possibility the PUD may be forced to find water from a saline source and use that as a potable supply rather than drawing from local creeks. Keep access to the beach open. Deputy Director and Planning Manager Steve Gray confirmed that the Shoreline Management Plan does not preclude desalinization.

Commissioner Randy Johnson agreed that water is a huge issue for the future. Doug asked that Tom Martin be included in the working group on a proposed reservoir, and the County agreed.

Commissioner Mark Ozias explained that there is a large need to expand broadband access in rural areas. Representative Derek Kilmer is advancing rural broadband legislation.

Commissioner Mark Ozias would like to know what the PUD's role is in expanding broadband across the County. Commissioner Ted Simpson explained that PUDs do not have the authority to provide retail broadband. The District has a fiber backbone in parts of the County for the District's SCADA system and it was overbuilt so excess capacity is sold to local Internet Service Providers (ISPs). Commissioner Mark Ozias asked what the PUD's interest is in expansion.

Commissioner Ted Simpson explained that the District cannot get into a situation where building would be considered a gifting of public funds, and even still, the District does not have the authority to do so. Clallam PUD does belong to NoaNet which services and maintains infrastructure for several PUDs throughout the state. IT Manager Steve Schopfer clarified that cost is the issue. A local ISP would have to have enough interest in a neighborhood to extend fiber, and often the cost is prohibitive. The PUD is working with CenturyLink to try to get fiber to Forks. John Purvis explained that any expansion that the PUD does is based on the District's needs. Commissioner Will Purser gave an example of an HOA who balked at the cost of bringing fiber to their neighborhood. Commissioner Mark Ozias said North Olympic Development Council (NODC) just received funding to do a rural broadband convening which will take place in 2019 and would love for the PUD to be engaged in that. He will connect the planners with Mr. Schopfer. Mr. Schopfer also explained issues surrounding pole attachments. Telecom is very interested in getting 5G equipment onto utility poles above the power lines which raises all of safety and load issues for PUDs. Commissioner Ted Simpson also explained that in a lot of cases the equipment has been undergrounded so the poles aren't available.

Mike Doherty provided public comment about the need for interagency climate action plans.

The work session adjourned at 3:55 p.m.