



Minutes

Special Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, November 24, 2015, 6:30 p.m.

President Rathbun called the meeting to order at 6:32 p.m. He noted that the meeting would not be recorded due to a technical problem. Mr. Freeman called roll.

Directors Present:

Kirk Rathbun, President
David McKenzie, Vice President
Patrick McGuire, Director
Gene Huffman, Director
Dean Dennis, Director

Staff Present:

Chuck Freeman, District Manager
Colleen Storms, District Treasurer
Jason McShane, Engineering/Operations Manager
Doris Rakowski, Executive Assistant

APPROVAL OF AGENDA: Director Huffman moved to approve the agenda. Director Dennis seconded the motion and it carried unanimously.

WORKSHOP:

Lorayne J System: Mr. Freeman reported that, in October, tests for nitrates showed that three of the four wells were no longer suitable for drinking water. He showed the test results on the overhead screen and listed the depths of the four wells.

Mr. Freeman spoke about the City of Richland intertie water source. He said that all but one option considered by staff were risky due to the nitrate levels. He said there were reports of wells in Badger Canyon with high nitrates at similar levels. Sources of nitrates included septic tanks and fertilizer. Mr. Freeman said the Richland intertie had served the area well, but was costly because the area was outside the City limits, allowing the City to charge a premium to provide the water.

Mr. Freeman noted that Lorayne J was a stand-alone entity. The other rate payers did not support the system.

Mr. Freeman spoke briefly about previous suggestions and the demand on the system in the summer. He said staff recommended leaving the intertie on, then the first step would be new meters, as the old meters were not providing good data. He said KID had not been charging by consumption, and flat rates gave no incentive to conserve. On average, the area used 300 gallons per day in winter and 1,400 gallons per day in summer, which was high. He said staff provided a draft tiered rate model and that the State of Washington encouraged billing on consumption.

Mr. Freeman said he could not recommend using the wells for potable water. It was too risky to bring well 4 on line, knowing that the others had high nitrates. Poor water quality would put human health at risk. He recommended that the City of Richland remain the water purveyor, but said the meters and valves still needed to be replaced. He said the piping was in fine shape.

Mr. Freeman said Mr. McShane would discuss a dual system option, which would be a requirement for the City of Richland to take over the system. The irrigation side of KID could invest \$400,000 funded for 20 years by the KID and repaid by the Lorayne J rate payers. This would allow 300 gallons per month to prevail year round for drinking water and the Badger East Canal would supply irrigation water if area was granted irrigation water allocations or use the high nitrate wells as the source of water for irrigation.

Mr. Freeman said that with Elliot Lake transferred to Kennewick and Lorayne J transferred to Richland, KID would be out of the potable water business, which was not KID's core mission.

Mr. McShane spoke briefly about consumption for potable and irrigation water. He said the area's consumption was about five times higher than average. He said the City of Richland required new developments to have a secondary water source for irrigation. Richland was concerned about providing water in summer, as they only wanted to provide drinking water. He spoke about rehabilitation and said it was less expensive to build an irrigation system than a new potable system.

Spread sheet titled "Lorayne J Potable Project - Financial History & Projected 2016 Rate" was distributed.

Ms Storms spoke about the State of Washington's interest in water rates having a component that encouraged conservation. At current rates, there would be a shortfall of about \$74,000 just due to use of City of Richland water to supply the area. Having good meters would allow rates by consumption, and people who conserved would pay less.

She said the scenario with \$94.34 rates included new meters and buying water, with no dual system. She noted that the agreement with City of Richland mentioned that it was for emergency only.

In response to a question from Director McGuire, Mr. Freeman said he had been talking with the City of Richland. The 125% that the City of Richland charged was retail, not wholesale, and would remain. There was also a utility excise charge. Circumstances where the City of Richland would have to drop to the wholesale price were discussed. Mr. Freeman said the emergency would still exist if the City of Richland dropped water service as the area would have no water.

Director Huffman reported that he lived in Benton County near Kennewick and was charged at 125% from 1979 until his area was annexed by the City of Kennewick.

Ms. Storms spoke about the City of Richland rate for residents outside the city, and base rate and component of use. She spoke about estimated cost per month for an average lot size for KID water, and for a required second system financed at bond rate of about 5.5% for 20 years.

In response to a question from Vice President McKenzie, Mr. Freeman and Ms. Storms confirmed that irrigation would be charged under the tier and toll method. Comparison to the cost of city water was discussed. It was noted that infrastructure would need to meet city standards and Mr. McShane said meters would be replaced with the city's standard meters.

Mr. Freeman said the second system would not be for KID's benefit, as the District did not need new customers, but said the City of Richland would insist on separation. He mentioned an alternative to treat and remove nitrates.

In response to a question from a guest about the risk of running the well, it was noted that infants, elderly or immune suppressed people could die if nitrate content spiked.

At the request of a guest, Mr. McShane spoke about the wells, booster pump and pump house, and noted that all wells were in the same area. Discussion continued about the wells and Mr.

Freeman said that two wells could not keep up with summer demand. He said he was not sure if one well could keep up with even winter demand. Director Dennis expressed concern that Well 4 could fail that quickly.

President Rathbun restated that there were two options, with the most eminent problem being the City of Richland's concern about summer use going to 1,400 gallons average demand in summer. Mr. McShane further described the District's experience with the intertie.

Discussion ensued regarding changing the depth of the well, costs to do so and concerns about where the sphere of influence of aquifers began and ended.

President Rathbun opened the floor for public comment.

Public Comments:

Dan Martini reported he attended the last meeting a month ago. He spoke about correspondence with KID. He said KID wanted out of potable business and to turn over the system to Richland or Badger East, but some residents wanted to stay with KID. Mr. Martini spoke about possible future annexation and what Lorayne J would have to pay if it occurred.

Mr. Freeman confirmed that if KID constructed a dual system for irrigation, the irrigation system would not be turned over to Richland.

In response to questions from Mr. Martini, water for Meadow Parks Estate was discussed.

Mr. Freeman confirmed to Mr. Martini that the KID did not meter irrigation. He said there was one meter for potable water and no meter for irrigation. Mr. McShane said that if Richland took over the potable system, potable water would be delivered through existing pipes with new meters and a monthly fee would be paid to Richland. He reiterated that, for this to happen, a second system would have to be installed, with no meter, for irrigation water from KID.

Mr. Freeman spoke about the status of LID 501 in response to questions from Mr. Martini. Mr. Freeman said Lorayne J had no LID bill at all, and that money in Lorayne J's reserves never mixed with KID general funds. Lorayne J's reserve was accumulated from the monthly rate paid over the years. He restated that there was no LID payment for the tank. He said there was currently about \$191,000 in Lorayne J's reserve. Mr. Freeman said the plan included using the reserves, and whatever was left would be put towards the new system, with the balance financed

Discussion ensued about the electric meter and who paid for electricity to pump water to Meadow Parks Estates. Mr. McShane said there was a sub-meter in the building metering what used for Meadow Parks Estates. He said staff was looking in to how long ago the PUD stopped reading the meter. Mr. McShane said electrical was the only other cost paid by Lorayne J and that repairs were paid from irrigation funds.

It was noted that the board of equalization would occur on December 1st.

In response to a guest, Mr. McShane said the closest Badger Mountain Irrigation District (BMID) facilities were the other side of LaPierre field. He said they would require fairly deep excavation and would need easements. He reported that BMID was buying water from the City of Richland

75% of the time, though at better rate than KID received. He confirmed that both entities had been approached about the Lorayne J system.

Director McGuire asked if there would be better estimates and more feedback before setting an increased rate at the board of equalization. Mr. Freeman said the assessment roll did not have the higher number. Director McGuire said the District would have to raise the rate or spend down reserves.

A guest asked when meters would come in. Mr. McShane said the purchase would be bid after the first of the year. Mr. Freeman estimated a cost of about \$60,000 for the meters.

Director McGuire said the area was stuck obtaining water from the City of Richland. Ms. Storms spoke about the amount of water that needed to be purchased and said there could be less with conservation.

In response to questions from Director McGuire, Mr. McShane spoke about how long it would take to replace meters and valves and build the irrigation system, depending on whether the work was contracted or done in-house. He said, in the best case it might take four months with outside contractors, though it would cost about 30% less to do it in house. Scheduling and rates were discussed.

In response to a question from Vice President McKenzie, Mr. McShane said the City of Richland could provide water over this summer if a plan were in place to split off the irrigation within the year. Director McGuire and Mr. McShane discussed lack of a guarantee for irrigation water in 2017.

Annexation by City of Richland was briefly discussed. Mr. Martini said the city would not annex without over 50% of lot owners requesting it. He suggested that Lorayne J may need someone from the City of Richland to discuss options with the group.

Mr. McShane reported that ideas discussed tonight were conceptually acceptable to the City of Richland. Mr. Freeman encouraged Lorayne J residents to contact City of Richland about annexation costs and said KID had no role in that. Discussion continued.

Mr. Freeman said the KID would use the City of Richland's specifications for meters.

Discussion ensued about sewer and garbage service if annexation occurred.

Mr. Freeman confirmed that KID would not rush the group to a decision about a dual system, but said it was necessary to use the City of Richland intertie now.

Mr. Martini displaced a map showing location of the wells and pump house.

Mr. Freeman confirmed to President Rathbun that, without a rate increase, the difference would come from reserves. He said the Department of Health would require a reserve amount less than was now in reserves to allow replacement of the most expensive component, which would be the pumps since the tank was new.

It was reported that the District was negotiating better rate with the City of Richland and that there would be additional meetings.

At the request of a guest, Mr. Freeman spoke about the District's educational materials about conservation, including information on the website and commercials.

Director Huffman recommended residents talk to the City of Richland about costs of annexation.

Vice President McKenzie suggested that the Department of Health or Department of Ecology might have some programs to convert areas to city water systems. He noted that the City of Richland demanded a dual system, but that the potable system did not need to be rebuilt. It was noted that programs could be limited since this was not a low income area, and that the city would have to be the applicant. Also, programs would be for potable only, and the potable system did not need to be replaced.

Mr. Freeman confirmed to President Rathbun that a flat \$22 rate increase was needed. He said that, over time, a tiered rate would be developed. He noted that the District would have a new Treasurer.

Ms. Storms said not knowing how much water would be used was a challenge. She spoke about rates based on consumption, which would have a minimum charge, plus some amount per cubic feet. Director McGuire said there would be an incentive to reduce one's bill by using less.

Mr. Freeman confirmed to Director McGuire that board could have a special hearing mid-year to amend rate during the year.

Director Huffman moved to adjourn the meeting at 7:50 p.m. and Vice President McKenzie seconded the motion. The motion carried unanimously.

Attest:

Witness:


Kirk Rathbun, 2015 Board President


Chuck Freeman, District Manager


David McKenzie, 2016 Board President
Approved March 15, 2016

Prepared by Doris Rakowski