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Office Use Only: No. _____

JAN 18 2013



Public Disclosure Commission

**WASHINGTON STATE PUBLIC DISCLOSURE COMMISSION
COMPLAINT FORM**

Description of Complaint

1. RESPONDENTS:

Mr. Brian Skeahan, Former General Manager of Cowlitz Public Utility District, Home address: 1427
Pries Court, Kelso, WA 98626, Phone 360.425.6845

&

Mr. Mark McCrady, Former Commissioner of Cowlitz Public Utility District, Home address: 909 Hillcrest,
Longview, WA 98632, Phone 360.425.8273

2. ALLEGED VIOLATIONS:

1. RCW 42.17A.555; and RCW 54.16.100 On May 23, 2012, then Commissioner McCrady and General Manager Skeahan directed a PUD staff substation engineer to arrange for a **McCrady for PUD Commissioner** Campaign photo shoot. Following the Manager's direction, the campaign photo shoot was arranged by several staff members and actually occurred on Friday, May 25, 2012 at roughly 1300hrs at the PUD's 7th Avenue Electric Substation. Approximately 26 employees, rounded up by their District superintendents, were assembled and several photos were taken within the walls of the substation. Commissioner McCrady is at the center of all the photos surrounded by on-duty public employees. The public employees used District vehicles to get to the substation. The photographer was a public employee. Paul Brachvogel, the District's General Council, discovered the unlawful photos and immediately counseled both Commissioner McCrady and Manager Skeahan that the use of public facilities and employees for campaign purposes was prohibited under State Law.
2. RCW 42.17A.555; and RCW 54.16.100 On or about Thursday, November 29, 2012, General Manager Skeahan contacted the Manager of GIS and directed her to analyze voter results by precinct for all of Cowlitz County for the PUD Commissioner Election of November 6, 2012. She was directed to analyze voter preferences in a variety of different ways and to construct a voter preference map. This violated the RCW in as much as there is no possible need for the PUD to have compiled this data EXCEPT to prepare for a future campaign. This

analysis activity occurred for much of December 2012 and the final email I could find was dated December 29, 2012. The map is part of the evidence and helps define the extent and value of public funds and assets used for political campaign means. Furthermore, Manager Skeahan knew that I was considering leaving the Commission at the end of my term in two years. While it is speculation on my part, I believe Manager Skeahan had someone else in mind to run for my position should I chose to not file for reelection.

3. RCW 42.17A.555; and 42.23.030 and .070 On or about May 19, 2011, PUD staff was directed by General Manager Skeahan to consider the addition of two contract provisions to a Power Sales Agreement being negotiated between Cowlitz PUD and one its largest and most influential customers, Longview Paper and Packaging Corporation (aka Fibre or Longview Fibre). One of those two provisions that Skeahan wanted negotiated into the contract was an agreement with Fibre to supply a Legacy Health Care Insurance Benefit for Commissioner Mark McCrady. Commissioner McCrady is a current full time employee of Fibre and McCrady told me that he was considering early retirement. While the details are not entirely clear, what is clear is that General Manager Skeahan was attempting to provide a beneficial interest in an outside contract to a sitting Commissioner in violation of RCW 42.23.070. Staff members were directed to develop this contract provision over the course of several meetings where the Manager reminded staff that this was an important element of the contract. When staff, including the PUD's General Council Paul Brachvogel and Director of Power Supply, Gary Huhta strongly objected on legal grounds, the Manager relented and stopped pursuing the provision. He did however direct staff to generate other options for Commissioner McCrady to consider. Considerable staff time was spent in the process. It is not clear how much direct involvement Commissioner McCrady had in this matter but he stood to gain a very valuable interest had Skeahan's work been successful. One can easily conclude that there is no possible public benefit for a Health Care Insurance Provision for former Commissioner McCrady. Also, there is no reason for Manager Skeahan to want to pursue this provision in the absence of pressure from Commissioner McCrady to do so. It appears to me that had staff not put a stop to this nonsense, this would have progressed into something akin to an extortion attempt involving Fibre. The Manager may have been setting up a scenario where he may have leveraged the Legacy Health Care Insurance provision for Commission McCrady in exchange for terms on the Power Sales Contract. I have no belief that representatives of Fibre were ever approached about this provision development. An investigation will determine what really happened.

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Evidence and Witnesses

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3. EVIDENCE:

Alleged violation #1

Email threads: Included with this Complaint form are copies of emails that in the aggregate show the details of who was involved, dates, times and the intent.

Photos: Also included are copies of some of the photos taken at the photo shoot with Commissioner McCrady front and center.

Alleged Violation #2

Email threads: Included with this Complaint form are copies of emails that in the aggregate show the details of who was involved, dates, times and some hint of the Manager's intent.

Map: Also included is a large scale map of the analysis performed by the District GIS Department.

Alleged Violation #3

General Council's legal opinion: Included with this Complaint form is a copy of the legal opinion drafted by the District's General Council when he realized that the Manager was very serious about proceeding with the Legacy Health Care Insurance Provision for Commissioner McCrady. I understand minutes of staff meetings may add supporting documentation.

4. WITNESSES:

Alleged violation #1

The following individuals are PUD staff members and were following the direction of General Manager Skeahan either directly or indirectly in the arrangement and implementation of the campaign photo shoot.

Tim Johnston District Substation Electrical Engineer 360.577.7501

Steve Brock: Interim Director of Operations 360.577.7530

Tim Fromm: Operations Manager 360.577.7518

Chris Marlow: Operations Manager 360.577.7525

Joe Furer: 360.577.7589

Brian Miner Electrical Engineer 360.501.8152

If any of these numbers fail, please call 360.423.2210 and ask for the individual by name and the operator will assist.

Alleged Violation #2

Tia Christina was directed by General Manager Skeahan to analyze the results of the Nov 6, 2012 election and construct a map showing the voting preference results

Don McMaster, Chief Operating Officer 360.577.7583

Tia Christina Manager of the PUD GIS Department 360.577.7550

Alleged Violation #3

General Council's legal opinion: Paul Brachvogel, acting in his position as General Council, protecting the interests of the District warned General Manager Skeahan that his instructions to staff that to include a Legacy Healthcare Provision in the Power Sales Contract with Commissioner Mark McCrady's employer, Longview Paper and Packaging (aka Fibre) was not lawful and would likely void the contract. This topic was discussed in the Senior Staff Meetings during April and May of 2011 with the following generally in attendance.

Royce Hagelstein, Internal Auditor, 360.577.7545

Don McMaster, Chief Operating Officer, 360.577.7583

Paul Brachvogel: General Council, Cowlitz PUD, 360.577.7578

Gary Huhta: Director of Power Supply Management, 360.577.7513

Doug Wood, Director of Information Services, 360.577.4688

Trent Martin, Director of Finance, 360.577.4687

Rick Syring, Director, 360.577.7570

Diana Macdonald, Manager of Environmental Services, 360.577.7585

Heather Allen, Risk Officer, 360.501.8143

Dave Andrew, Director of Customer Service, 360.577.7502

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Certification

In signing this complaint:

- I have provided all information, documents and other evidence of which I am aware;
- If I become aware of additional information, documents or evidence related to my complaint, I will promptly provide it to the PDC; and,
- I am providing the PDC current information on how to contact me, and will promptly update that information if it changes.

Your name (print or type) Merritt 'Buz' Ketcham

Street address 170 Eli Avery Ave.

City, state and zip code Kalama, WA 98625

Telephone number 360.430.1709

E-mail address bketcham@scattercreek.com

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Oath

Required for complaints against elected officials or candidates for elective office:

I certify (or declare) under penalty of perjury under the laws of the State of Washington that this complaint is complete, true and correct to the best of my knowledge and belief.*

Your signature

Date signed

Place signed (city and county)

Kalama, WA 98625 in Cowlitz County

Attachments

☒ Check here if you are attaching copies of documentary evidence or extra pages explaining your complaint.

**RCW 9A.72.040 says that "(1) A person is guilty of false swearing if he makes a false statement which he knows to be false, under an oath required or authorized by law. (2) False swearing is a misdemeanor."*

Washington State Public Disclosure Commission

Instructions for Filing a Formal Complaint

When to use the formal complaint form:

While this form is not required, its use is recommended when you want to file formal allegations of a violation of the Public Disclosure Commission (PDC) statutes or rules. You can find the PDC statutes and rules on the PDC website at www.pdc.wa.gov. If you have information or concerns about a possible violation but do not wish to file a complaint, please contact the PDC office directly.

How to submit your complaint form to the PDC:

- Complete all sections. If you do not have some information, please write "unknown" instead of leaving a blank space.
- Attach copies of any evidence you have - we'll contact you if we need originals.
- Sign the oath if your complaint is against an elected official or a candidate for elective office.
- Mail, fax, or email your complaint and all attachments to the PDC.

If you have more questions:

If you have more questions about filing a complaint, see the "Frequently Asked Questions about Filing a Complaint" guide available on the PDC's website at www.pdc.wa.gov under "Enforcement and Compliance." You may also contact the PDC directly.

PDC Contact Information

MAILING ADDRESS: Washington State Public Disclosure Commission
711 Capitol Way, Room 206
PO Box 40908
Olympia, WA 98504-0908

EMAIL ADDRESS: pdc@pdc.wa.gov

PHONE: 1-877-601-2828 (toll free)

FAX: (360) 753-1112

HOURS: Monday-Friday, 8:00 a.m. – 5:00 p.m., closed on state holidays.

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ALLEGATION # 1
EVIDENCE

②
From: Steve Brock
Sent: Wednesday, May 23, 2012 4:01 PM
To: Tim Johnston
Subject: RE: Photo

Tim,
Is this for a campaign brochure? Just askin...

Steve Brock
Interim Director
Cowlitz PUD Operations
875 Industrial Way
Longview, WA 98632
(360) 577-7530
(360) 430-6460 cell
(360) 501-2307 fax

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①
From: Tim Johnston
Sent: Wednesday, May 23, 2012 3:52 PM
To: Tim Fromm; Joseph Furer; Chris Marlowe; Steve Brock
Subject: Photo

I've been asked to arrange for a few willing folks to meet at 7th Ave substation for a picture with Mark McCrady. A nice cross section of employees would be good. Can you identify on or two people from each your crews that could meet at 7th Ave substation Friday for the picture. The picture will be used in a brochure that Mark is creating. I'll have a few other folks from Engineering with me. Obviously each of you is invited to participate as well.

I was thinking we could do the picture right after operations lunch at 11:30 Friday. It should only take a few minutes. Please confirm who can come.

Thanks,

Tim Johnston P.E.
Manager, System Engineering
Cowlitz PUD
360.577.7501
tjohnston@cowlitzpud.org

BEGIN READING
BOTTOM → UP

Paul Brachvogel

From: Steve Brock
Sent: Thursday, May 24, 2012 8:54 AM
To: Tim Johnston
Subject: RE: Photo

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Tim, (6)

I spoke to the superintendents today about the picture and will have a number for you by the end of the day of those who are going to participate.

Steve Brock
Interim Director
Cowlitz PUD Operations
875 Industrial Way
Longview, WA 98632
(360) 577-7530
(360) 430-6460 cell
(360) 501-2307 fax

From: Tim Johnston (5)
Sent: Thursday, May 24, 2012 7:51 AM
To: Steve Brock
Subject: RE: Photo

It's not specific about the sub.

From: Steve Brock (4)
Sent: Thursday, May 24, 2012 7:48 AM
To: Tim Johnston
Subject: RE: Photo

Tim,

Is the photo specifically about the construction of the sub? Should it just be people who worked on it? Thanks...

Steve Brock
Interim Director
Cowlitz PUD Operations
875 Industrial Way
Longview, WA 98632
(360) 577-7530
(360) 430-6460 cell
(360) 501-2307 fax

From: Tim Johnston (3)
Sent: Wednesday, May 23, 2012 4:41 PM
To: Steve Brock
Subject: RE: Photo

I believe so. Just doing as the manager has requested of me. ☺

Paul Brachvogel

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From: Steve Brock (4)
Sent: Friday, May 25, 2012 7:02 AM
To: Tim Johnston
Subject: RE: Photo

JAN 18 2013
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Ok...the gang will see you there at 7th Ave. Sub at 11:30...

Steve Brock
Interim Director
Cowlitz PUD Operations
875 Industrial Way
Longview, WA 98632
(360) 577-7530
(360) 430-6460 cell
(360) 501-2307 fax

From: Tim Johnston (6)
Sent: Thursday, May 24, 2012 4:13 PM
To: Steve Brock
Subject: RE: Photo

Commission McCRAAY

Also,

I just confirmed with Mark M that we will be there at 11:30.

Thanks again,

TJ

From: Steve Brock (1)
Sent: Thursday, May 24, 2012 3:47 PM
To: Tim Johnston
Subject: Photo

Tim,

Looks like we will have about 25 from Ops for the photo...unless we have a big problem and have to send some guys out.

Steve Brock
Interim Director
Cowlitz PUD Operations
875 Industrial Way
Longview, WA 98632
(360) 577-7530
(360) 430-6460 cell
(360) 501-2307 fax



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Tia Christina

ALLEGATION # 2

From: Brian Skeahan (2)
Sent: Friday, December 28, 2012 1:20 PM
To: Tia Christina
Subject: RE: GIS Project

EVIDENCE

Entire county

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From: Tia Christina (1)
Sent: Friday, December 28, 2012 11:09 AM
To: Brian Skeahan
Subject: GIS Project

JAN 18 2013

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Brian,

Question for you, Are you only concerned with the numbers within the one commissioner boundary or all of the numbers for the entire County?

*Tia Christina
GIS Manager
360-577-7550*

*BEGIN READING
BOTTOM - UP*

Tia Christina

From: Brian Skeahan (4)
Sent: Thursday, November 29, 2012 8:38 AM
To: Tia Christina
Subject: Re: do you have

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Ok let's talk on Friday.

Sent from my iPhone

On Nov 29, 2012, at 8:08 AM, "Tia Christina" <tchristina@cowlitzpud.org> wrote:

For the County? All of that data is available from the County and I can easily create a map from the data.

Tia

From: Brian Skeahan (3)
Sent: Wednesday, November 28, 2012 5:46 PM
To: Tia Christina
Subject: do you have

→ Voting precincts on your maps?

Brian Skeahan

General Manager

Cowlitz PUD

Tia Christina

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From: Brian Skeahan
Sent: Thursday, November 29, 2012 9:54 AM
To: Tia Christina
Subject: Re: Precinct Results

JAN 18 2013
Public Disclosure Commission

Results mapped by precinct. Color coded. Am thinking one color for McCrady wins by two % or less, another for >2% same for Kurt. That's a start.

Sent from my iPhone

On Nov 29, 2012, at 8:58 AM, "Tia Christina" <tchristina@cowlitzpud.org> wrote:

I saw the same info as Chris has below.

If you have this info what else do you want to see?

Tia

From: Brian Skeahan
Sent: Thursday, November 29, 2012 8:39 AM
To: Tia Christina
Subject: Fwd: Precinct Results

Per email I just sent.

We can discuss. When you leaving on your trip?

Sent from my iPhone

Begin forwarded message:

From: Christopher Hill <chill@cowlitzpud.org>
Date: November 28, 2012 2:52:35 PM PST
To: Brian Skeahan <BSkeahan@cowlitzpud.org>
Cc: Sandy Willman <Swillman@cowlitzpud.org>
Subject: Precinct Results

Brian,

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PUD ALL Commissioner 2 - Precinct Results 11/06/2012

JAN 18 2013

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Order	Area	Mark McCrady	Kurt Anagnostou	Points Over	% Over
4	Bakers	9	15	6	66.7%
55	Stella	209	347	138	66.0%
44	Ponderosa	188	311	123	65.4%
7	Boondox	8	13	5	62.5%
53	Silver Lake	331	504	173	52.3%
52	Sandy Bend	216	327	111	51.4%
14	Coal Creek	328	478	150	45.7%
29	Lexington	368	529	161	43.8%
40	Ocean Beach	252	361	109	43.3%
13	Cloverdale	399	566	167	41.9%
42	Ostrander	255	359	104	40.8%
37	Modrow	204	279	75	36.8%
45	Powell	220	297	77	35.0%
16	Columbia Vly Gardens	198	262	64	32.3%
31	Magnolia	406	537	131	32.3%
3	Arkansas	105	137	32	30.5%
11	Carrolls	250	325	75	30.0%
57	Tower	338	439	101	29.9%
49	Rose Valley	186	241	55	29.6%
35	Mill	330	420	90	27.3%
1	Alabama	209	264	55	26.3%
8	Brynion	186	232	46	24.7%
26	Lake	264	326	62	23.5%
9	Burcham	402	496	94	23.4%
58	Tunstall	88	107	19	21.6%
6	Beacon	373	453	80	21.4%
56	Toutle	277	336	59	21.3%
21	Harris	272	326	54	19.9%
22	Haussler	202	242	40	19.8%
48	Robbins	375	449	74	19.7%
59	View	195	231	36	18.5%
34	Memorial	168	198	30	17.9%
41	Olson	192	225	33	17.2%
30	Lone Oak	434	507	73	16.8%
5	Baltimore	317	370	53	16.7%
39	Nevada	230	267	37	16.1%
12	Castle Rock	350	404	54	15.4%
17	Crawford	269	308	39	14.5%
10	Caples	116	131	15	12.9%
19	Douglas	255	283	28	11.0%
38	Mt. Solo	88	97	9	10.2%
25	Kessler	391	428	37	9.5%
54	St. Helens	140	152	12	8.6%

36 Mint Valley	456	490	34	7.5%
23 Hillcrest	482	517	35	7.3%
24 Kalama	445	472	27	6.1%
2 Ammons	224	235	11	4.9%
62 Windemere	458	478	20	4.4%
43 Owl Creek	372	388	16	4.3%
27 Laurel	386	396	10	2.6%
33 McGowan	82	84	2	2.4%
28 Lewis River	355	363	8	2.3%
18 Delameter	226	227	1	0.4%
20 Elk Ridge	2	2	-	0.0%
32 Marigold	419	408	(11)	-2.6%
61 Willow Grove	89	84	(5)	-5.6%
46 Redpath	278	255	(23)	-8.3%
63 Woodage	207	189	(18)	-8.7%
65 Woodland South	388	336	(52)	-13.4%
64 Woodland North	425	365	(60)	-14.1%
15 Columbia Heights	181	155	(26)	-14.4%
51 Sacajawea	584	478	(106)	-18.2%
66 Yale	231	189	(42)	-18.2%
50 Ryderwood	126	97	(29)	-23.0%
60 West Kelso	98	70	(28)	-28.6%
47 Ridgecrest	34	18	(16)	-47.1%
Total	17,475	20,178	2,703	15.5%

Audit Summary	17,141	19,875
The Totals are over by...	334	303

Note:

When I audited the numbers by summarizing them, they were different (higher than the totals provided) SEE ABOVE - NSH

Hudson(*)	*	*	#VALUE!
Industrial(*)	*	*	#VALUE!

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Precinct Results

Areas where Mark McCready won by Margin of 2% or Higher

Sorted by... Highest % to Lowest %

Area	Mark McCready	Kurt Anagnostou	Points Over	% Over
Ridgecrest	34	18	16	47.1%
West Kelso	98	70	28	28.6%
Ryderwood	126	97	29	23.0%
Yale	231	189	42	18.2%
Sacajawea	584	478	106	18.2%
Columbia Heights	181	155	26	14.4%
Woodland North	425	365	60	14.1%
Woodland South	388	336	52	13.4%
Woodage	207	189	18	8.7%
Redpath	278	255	23	8.3%
Willow Grove	89	84	5	5.6%
Marigold	419	408	11	2.6%

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Precinct Results

Areas where Kurt Anagnostou won by Margin of 2% or Higher

Sorted by... Highest % to Lowest %

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Area	Mark McCrady	Kurt Anagnostou	Points Over	% Over
Bakers	9	15	6	66.7%
Stella	209	347	138	66.0%
Ponderosa	188	311	123	65.4%
Boondox	8	13	5	62.5%
Silver Lake	331	504	173	52.3%
Sandy Bend	216	327	111	51.4%
Coal Creek	328	478	150	45.7%
Lexington	368	529	161	43.8%
Ocean Beach	252	361	109	43.3%
Cloverdale	399	566	167	41.9%
Ostrander	255	359	104	40.8%
Modrow	204	279	75	36.8%
Powell	220	297	77	35.0%
Columbia Vly Gardens	198	262	64	32.3%
Magnolia	406	537	131	32.3%
Arkansas	105	137	32	30.5%
Carrolls	250	325	75	30.0%
Tower	338	439	101	29.9%
Rose Valley	186	241	55	29.6%
Mill	330	420	90	27.3%
Alabama	209	264	55	26.3%
Brynion	186	232	46	24.7%
Lake	264	326	62	23.5%
Burcham	402	496	94	23.4%
Tunstall	88	107	19	21.6%
Beacon	373	453	80	21.4%
Toutle	277	336	59	21.3%
Harris	272	326	54	19.9%
Hausler	202	242	40	19.8%
Robbins	375	449	74	19.7%
View	195	231	36	18.5%
Memorial	168	198	30	17.9%
Olson	192	225	33	17.2%
Lone Oak	434	507	73	16.8%
Baltimore	317	370	53	16.7%
Nevada	230	267	37	16.1%
Castle Rock	350	404	54	15.4%
Crawford	269	308	39	14.5%
Caples	116	131	15	12.9%
Douglas	255	283	28	11.0%
Mt. Solo	88	97	9	10.2%

Precinct Results
Areas where Kurt Anagnostou won by Margin of 2% or Higher
Sorted by... Highest % to Lowest %

Area	Mark McCrady	Kurt Anagnostou	Points Over	% Over
Kessler	391	428	37	9.5%
St. Helens	140	152	12	8.6%
Mint Valley	456	490	34	7.5%
Hillcrest	482	517	35	7.3%
Kalama	445	472	27	6.1%
Ammons	224	235	11	4.9%
Windemere	458	478	20	4.4%
Owl Creek	372	388	16	4.3%
Laurel	386	396	10	2.6%
McGowan	82	84	2	2.4%
Lewis River	355	363	8	2.3%

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PUD ALL Commissioner 2 - Precinct Results 11/06/2012

	Mark McCrady	Kurt Anagnostou
Total	17475	20178
Alabama	209	264
Ammons	224	235
Arkansas	105	137
Bakers	9	15
Baltimore	317	370
Beacon	373	453
Boondox	8	13
Brynton	186	232
Burcham	402	496
Caples	116	131
Carrolls	250	325
Castle Rock	350	404
Cloverdale	399	566
Coal Creek	328	478
Columbia F	181	155
Columbia V	198	262
Crawford	269	308
Delameter	226	227
Douglas	255	283
Elk Ridge	2	2
Harris	272	326
Haussler	202	242
Hillcrest	482	517
Hudson(*) *	*	
Industrial(**)	*	
Kalama	445	472
Kessler	391	428
Lake	264	326
Laurel	386	396
Lewis River	355	363
Lexington	368	529
Lone Oak	434	507
Magnolia	406	537
Marigold	419	408
McGowan	82	84
Memorial	168	198
Mill	330	420
Mint Valley	456	490
Modrow	204	279
Mt. Solo	88	97
Nevada	230	267
Ocean Bear	252	361
Olson	192	225
Ostrander	255	359

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JAN 18 2013

Public Disclosure Commission

Owl Creek	372	388
Ponderosa	188	311
Powell	220	297
Redpath	278	255
Ridgecrest	34	18
Robbins	375	449
Rose Valley	186	241
Ryderwood	126	97
Sacajawea	584	478
Sandy Bend	216	327
Silver Lake	331	504
St. Helens	140	152
Stella	209	347
Toutle	277	336
Tower	338	439
Tunstall	88	107
View	195	231
West Kelso	98	70
Willow Grove	89	84
Windermere	458	478
Woodage	207	189
Woodland	425	365
Woodland	388	336
Yale	231	189

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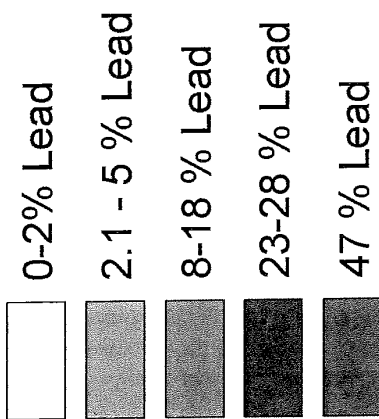
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(M) C_1



(K) C_2



ALLEGATION #3
EVIDENCE

Memorandum

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To: Brian Skeahan, General Manager
From: Paul Brachvogel, General Counsel
Re: Power Sales Contract Provisions
Date: May 19, 2011

JAN 18 2013
Public Disclosure Commission

Following executive session of the Board on May 17, 2011- which included a workshop concerning the ongoing contract negotiations with Fibre and Weyco - staff was asked to consider two specific provisions to be included in the final draft of the contracts. This memo is in response to that request.

I recommend a waiver of liability in the power sales contract and strongly recommend not proposing a provision concerning legacy health care for District board members for reasons addressed below.

1. A release waiving industrial customers' cause of action against the District (based on the Res X settlement) is appropriate.

You recall Weyco threatened suit for damages allegedly caused by the District in settling the Residential Exchange lawsuit. This was relayed in open session at the Board meeting on May 10, 2011. Outside Counsel had addressed this issue in a previous executive session with the Board around the time of the mediation. His opinion that there is a very remote chance of liability was the same as outlined in his most recent review of the issue contained in the attachment.

In addition to those defenses raised by Mr. Murphy, there is a significant defense afforded under Washington State law known as the Public Duty Doctrine which could be an absolute bar to recovery. Under the doctrine, a governmental entity is not liable in negligence unless a plaintiff can show that the entity breached a duty that was owed to the plaintiff individually rather than the public in general. There are exceptions to the general rule that a governmental entity is not liable in negligence unless a plaintiff can show that the entity breached a duty that was owed to the plaintiff individually rather than the public in general. Those are: (1) legislative intent, (2) failure to enforce, (3) the rescue doctrine, and (4) a special relationship. *Pope v. Douglas County Public Utility Dist. No. 1*, 158 Wn. App. 23 (2010).

It is conceivable the doctrine's exceptions of *special relationship*, *failure to enforce*, and *legislative intent* may exist, therefore opening the door to exposure. The "special relationship" exception arises when there is direct contact or privity between a public official and an injured plaintiff, which sets the latter apart from the general public, and there are expressed assurances given by the public official, which gives rise to justifiable reliance on the part of the plaintiff. Here, we have contractual privity with Weyco but there are no express assurances related to

✓
END

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Public Disclosure Commission

Residential Exchange. Therefore, while available for plaintiff to argue, this exception to the doctrine ultimately is not likely to succeed.

The "failure to enforce" exception allows recovery in a negligence action against a government entity under an exception to the public duty doctrine, where (1) governmental agent responsible for enforcing statutory requirements possess actual knowledge of a statutory violation, and (2) fails to take corrective action despite a mandatory statutory duty to do so, and (3) the plaintiff is within the class the statute intended to protect. It is likely that the failure to enforce exception would not be found. There is no mandatory duty to litigate BPA rate-making under Title 54, the Northwest Power Act, or any other authority which requires a PF customer to enforce the rate directives under the Northwest Power Act.

The "legislative intent" exception, which allows recovery in a negligence action against a government entity under an exception to the public duty doctrine, applies when the terms of a legislative enactment clearly evidence an intent to identify and protect a particular and circumscribed class of persons; the necessary express intent may be discerned from the statute's declaration of purpose. This exception has credibility to a plaintiff in Weyco's position if a court determines BPA's PF customers are tantamount to of the customers those utilities because of the strong legislative preference for avoiding public power's contribution to the Res X program.

In sum, while I share Mr. Murphy's opinion that ultimate liability is remote, a suit could be initiated regardless of the merits making the suit both a legal issue and political issue. After litigating dozens of cases involving the Public Duty Doctrine cases, I can assure you that judges (particularly in Cowlitz County) have a very difficult time dismissing cases on a simple motion based on the doctrine; and, as a result the litigation can become very drawn out. Given that, damage may be inflicted on the District regardless of the plaintiff's ultimate success, it is my strong recommendation that some sort of waiver or release of further liability related to the Res X Settlement Agreement be sought during the remaining negotiations.

2. Legacy Health Care Issues.

There was some discussion of including a provision requiring Fibre to provide legacy health care to its former employees who ultimately may serve on our Board of Commissioners. It is my strong recommendation that the District not pursue such a provision in the contract or such a promise while the District is negotiating the power sales contract for the reasons which follow.

A. Certain Commissioners standing to benefit may be precluded from voting.

Our state supreme court, citing principles "as old as the law itself," has held that a council member *may not vote on a matter* where he or she would be especially benefitted. *Smith v. Centralia*, 55 Wash. 573, 577, 104 Pac. 797 (1909) (vacation of an abutting street). While certainly not the primary motivation for the contract, a provision requiring health care for commissioners – contrary to their plan – would appear to violate the rule set forth in the Smith case.

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B. RCW 42.23.070 prohibits our board members' beneficial interests in contracts.

RCW 42.23.070 states: "No municipal officer may use his or her position to secure special privileges or exemptions for himself, herself or others;" and "no municipal officer may, directly or indirectly, give or receive any compensation, gift, gratuity, or reward from any source, except the employing municipality, for a matter connected with or related to the officer's services unless otherwise provided by law;

C. Beneficial Interest in a Public Contract.

RCW 42.23.030 sets out the general prohibition that:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his or her office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein . . . the law also prohibits an officer from receiving financial benefits from anyone else having a contract with the municipality, if the benefits are in any way connected with the contract.

Furthermore, a member of a governing body who has a forbidden interest may not escape liability simply by abstaining or taking no part in the governing body's action in making or approving the contract. Nor does it matter if the contract was let through the use of competitive bidding. See AGO 53-55 No. 317.

D. Severability Clause may be voidable.

Contracts connected with a beneficial interest for an officer are likely void. Courts may not sever the offending clause, rather void the entire contract as a matter of public policy. *Northport v. Northport Townsite Co.*, 27 Wash. 543, 549, 68 Pac. 204 (1902). Additionally, it does not matter whether or not the member of the governing body voted on the contract in which he or she had a financial interest; the prohibition still applies, which may justify voiding the entire contract. *City of Raymond v. Runyon*, 93 Wn. App. 127, 137, 967 P.2d 19 (1998).

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Mark's Options to Ensure Fibre's Health Care Coverage

Public Disclosure Commission

1. Stay Employed @ Fibre until after the election
2. Purchase Separate Commissioner Policy that's not self funded? - Not specifically provided under state law, but is not a mid term increase because it will take effect after Mark's election. *See, State ex re. Jaspers v. West, 13 Wash.2d 514, 126 P.2d 694 (1942); and, Op.Atty.Gen1969, No.2* addressing the constitutional prohibitions in Const. Art 2, Section 25 and Ar. 11, Section 8; and, Const. Art 30, Section 1 prohibiting mid-term compensation increases for those elected officials who "fix their own compensation."
3. Walver of Health Care Benefits from District -- (must check with Fibre's plan); waive immediately? 54.12.080(3)
4. VEBA: put all PUD pay into VEBA and pay COBRA? Out of pocket
5. Purchase Commissioner Policy? - allowed by state law? Comp advisory committee to review commissioners' as well?

THERE ARE THE
PERSONAL NOTES OF
G.C. PAUL BROCHVOGET

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JAN 18 2013

Public Disclosure Commission

June 4, 2012

Last week I was told that a picture was taken at a substation of Mark McCrady and some operations personnel. The pic was organized by Tim Johnston, at the General Manager's request. I was not asked to review whether this was lawful, but if asked, I would have opined that such conduct violations our Employee Handbook, and RCW 42.17A.555.

After some deliberation out of concern for being retaliated against, I approached the GM on Friday afternoon and informed him that the conduct violated the statute. I wrote a confirming email setting forth statute.

On this date, I discussed the matter with Mark McCrady and Brian Skeahan in the hallway in front of Brent's cubicle. I did re-affirm that the conduct was unlawful; and, Mark stated that the picture was taken on a Saturday and therefore he thought the use of the employees in the picture was authorized. I told him the use of the substation was still improper.

I confirmed with TJ today that the picture was take on a Friday and asked him to forward me the emails indicating the orchestration of the photo. He did so. And they are attached.

Mark indicated today that he had not seen the email I sent Friday and would take a look to determine whether he wanted to use the picture for political purposes; and, he thanked me for my help.

THIS IS A COPY
OF DIARY ENTRY OF G.C.
PAUL BROCKVOGEL

Merritt 'Buz' Ketcham PE
PO Box 1790
170 Eli Avery Ave.
Kalama, WA 98625
✉ bketcham@scattercreek.com
☎(360) 430-1709 cell
☎(360) 673-4505

July 2, 2013

Mr. Phil Stutzman
Washington State Public Disclosure Commission
711 Capital Way, Room 206
Olympia, WA 98504-0908

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JUL - 8 2013

Public Disclosure Commission

RE PDC Complaint File #13-022 SUPPLEMENTAL

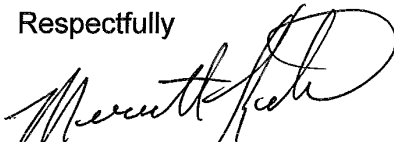
Dear Mr. Stutzman

Enclosed is my Supplemental Complaint to #13-022. This supplement adds 5 additional allegations, each from a new source.

Management at Cowlitz PUD has become more forthcoming about illegal events initiated by Mr. Skeahan and Mr. McCrady. The hostile work environment has disappeared with the termination of Mr. Skeahan and the end of term of Mr. McCrady and employees are feeling comfortable discussing what went on during the past 18 months.

As a member of the Board of Commissioners, I hold the opinion that the State now has an opportunity to send a clear message to our citizenry that violation of election laws will result in an appropriate punishment for the abuse of the public trust.

Respectfully



Merritt Buz Ketcham

President of the Board of Commissioners

Cowlitz PUD



WASHINGTON STATE PUBLIC DISCLOSURE COMMISSION
COMPLAINT FORM

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Description of Complaint

JUL - 8 2013

1. RESPONDENTS:

Public Disclosure Commission

Mr. Brian Skeahan, Former General Manager of Cowlitz Public Utility District, Home address: 1427
Pries Court, Kelso, WA 98626, Phone 360.425.6845

&

Mr. Mark McCrady, Former Commissioner of Cowlitz Public Utility District, Home address: 909 Hillcrest,
Longview, WA 98632, Phone 360.425.8273

**2. ALLEGED VIOLATIONS: Supplemental to prior 3 allegations in original
complaint**

Allegation #4

RCW 42.17A.555; and RCW 54.16.100 On Friday, September 14, 2012, at 8:00 am, General Manager Skeahan contacted his direct report, Gary Huhta, the Director of Power Management at Cowlitz PUD, by phone and directed him to prepare a campaign briefing document for former Commissioner Mark McCrady. McCrady and his opponent Mr. Anagnostou were to participate in an interview with the local newspaper editorial board that afternoon at 1:30 PM. McCrady cut and pasted the briefing material Mr. Huhta created in email form and transferred to another document format. A title was added and Mr. McCrady hand delivered to the Daily News Editorial Board a document that was produced at public expense just five hours earlier by Mr. Huhta. This directive violated the RCW by utilizing public resources to assist one candidate over another. This could have been pivotal in the campaign. As I recall, the Editorial Board went on to promote the McCrady candidacy.

Allegation #5

RCW 42.17A.555; and RCW 54.16.100 In May of 2012, former General Manager Brian Skeahan directed Risk Manager Heather Allen to develop "speaking points for former Commissioner Mark McCrady to aid in his reelection campaign. This assignment required considerable research and was outside the scope of Ms. Allen's regular duties.

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Allegation #6

RCW 42.17A.555; and RCW 54.16.100 In April 2012, former General Manager Brian Skeahan directed Internal Auditor Royce Hagelstein to delay "retirement payroll adjustment checks" to eleven senior staff members until after the election. The eleven payments would have totaled \$150,198 in April 2012. These payments would have been public information and therefore would have had a negative public reaction and hurt the reelection campaign of Mark McCrady. By delaying these payments, the total amount to be paid escalated to \$185,080 costing the ratepayers some \$36,000 but benefitting the McCrady campaign.

Allegation #7

RCW 42.17A.555; and RCW 54.16.100 In June of 2012, General Manager Skeahan began directing Chief Financial Officer Trent Martin to develop supplemental financial reports to aid in the campaign of Commissioner Mark McCrady. Mr. Skeahan indicated these reports were entitled as the "Incumbent Advantage" By statute, the PUD cannot invest staff time to advantage the incumbent.

Allegation #8

RCW 42.17A.555; and RCW 54.16.100 On January 17, 2012, General Manager Brian Skeahan met with our new Manager of Communications, Brent Arnold. And laid out his "Communications" plan for 2012. As Brent spells out in his attached affidavit, the messaging began evolving mid-year into a reelection plan for Mark McCrady. Strategies 360 was hired to conduct a telephone survey in March 2012 that was specifically drafted by Skeahan to, among other things, inquire into the political popularity of the three sitting Commissioners. Such an inquiry is highly inappropriate for the PUD as the results, be they positive or negative, cannot be legally acted upon by the District so even asking the "Popularity" question is highly inappropriate. This survey, conducted by an outside contractor, at the expense of the ratepayers, was clearly a political tool not available to the challenger.

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Public Disclosure Commission

Evidence and Witnesses

3. EVIDENCE:

Evidence supporting allegation #4

1. A journal note hand written by Gary Huhta 9/14/12 at 8:00 am.
2. An email from Gary Huhta to Mark McCrady and Brian Skeahan dated September 14, 2012 at 9:06 a.m. containing the briefing data Skeahan and McCrady had asked for.
3. An email from Gary Huhta to Brian Skeahan dated September 14, 2012 at 9:08 am clarifying Mr. McCrady's email address.
4. An email from Brian Skeahan to Gary Huhta thanking Gary at 9:28 am
5. A copy of the document that McCrady produced from the Huhta email that was used in the Editorial Board interview. Note the document that McCrady claims to be his own work was copied word for word from a Gary Huhta's work product. Individuals at the Editorial Board interview tell me McCrady presented the documents as his own work product. Now lying to the press is not illegal, but using public resources to produce a work product for use in a campaign is illegal.
6. A copy of an email from Mark McCrady to his opponent Kurt Anagnostou dated September 14, 2012 at 7:24 PM. (after TDN Editorial Board interview earlier that day). In that email, McCrady takes credit for the authorship of Exhibit E when actually Exhibit E is a clear cut and paste from the work Gary Huhta did earlier that day on public funds under the direct order of Brian Skeahan.

Evidence supporting Allegation #5

Risk Manager Heather Allen's written statement outlining Mr. Skeahan's direction to aid the McCrady campaign by developing various financial reports to be used as "Speaking Points" by the McCrady campaign.

Evidence supporting Allegation #6

Internal Auditor Royce Hagelstein's written statement outlining Mr. Skeahan's direction to aid the McCrady campaign by delaying certain payments and in doing so costing the ratepayers

\$36,000. Also included is an email from Skeahan to Hagelstein supporting the accuracy of Mr. Hagelstein's statement to the PDC.

Evidence supporting Allegation #7

Chief Financial Officer, Trent Martin's written statement detailing Mr. Skeahan's direction to support the McCrady campaign by developing complex financial reports beyond the usual scope of his duties. Included as evidence are samples of the reports Trent was directed to produce reflecting the complexity and therefore the amount of public resources spent aiding the McCrady campaign.

Evidence supporting Allegation #8

Manager of Communication Brent Arnold written statement detailing his observations and how he was directed to aid the McCrady campaign. Included is a copy of the telephone survey questions Strategies 360 was hired to conduct.

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4. WITNESSES:

Allegation #4

Gary Huhta: Director of Power Supply Management, 360.577.7513

Gary was directed by Skeahan at 8:00 AM to produce the briefing material within an hour. Gary had to drop whatever he was doing and produce the document. Gary is an innocent and honorable man; working as directed by his supervisor Mr. Skeahan.

Kurt Anagnostou: 360-425-6500 Local Attorney at Law and now PUD Commissioner having defeated Mark McCrady at the polls. Mr. Anagnostou was at the Editorial Board candidate interview on September 14th at 1:30 PM and witnessed McCrady deliver the Huhta material to the TDN Editorial Board. McCrady claims in the email that the material is his work product.

Allegation #5

Heather Allen: Risk Officer 360.577.xxxx

501-8143

Heather is an innocent and honorable woman, working as directed by her supervisor, Mr. Skeahan

Allegation #6

Royce Hagelstein: Internal Auditor 360.577.~~XXX~~ 7545

Royce is an innocent and honorable man, working as directed by his supervisor Mr. Skeahan

Allegation #7

Trent Martin: Chief Financial Officer 360.577.~~XXX~~ 4687

Trent is an innocent and honorable man, working as directed by his supervisor Mr. Skeahan

Allegation #8

Brent Arnold: Manger of Communications 360.577.~~XXX~~ 501 - 8146

Brent is an innocent and honorable man, working as directed by his supervisor Mr. Skeahan

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Certification

JUL - 8 2013

Public Disclosure Commission

In signing this complaint:

- I have provided all information, documents and other evidence of which I am aware;
- If I become aware of additional information, documents or evidence related to my complaint, I will promptly provide it to the PDC; and,
- I am providing the PDC current information on how to contact me, and will promptly update that information if it changes.

Your name (print or type) **Merritt 'Buz' Ketcham**

Street address **170 Eli Avery Ave.**

City, state and zip code **Kalama, WA 98625**

Telephone number **360.430.1709**

E-mail address **bketcham@scattercreek.com**

Oath

Required for complaints against elected officials or candidates for elective office:

I certify (or declare) under penalty of perjury under the laws of the State of Washington that this complaint is complete, true and correct to the best of my knowledge and belief.*

Your signature

Date signed

Place signed (city and county)

Kalama, WA 98625 in Cowlitz County

Attachments

☒ Check here if you are attaching copies of documentary evidence or extra pages explaining your complaint.

**RCW 9A.72.040 says that "(1) A person is guilty of false swearing if he makes a false statement which he knows to be false, under an oath required or authorized by law. (2) False swearing is a misdemeanor."*

RECEIVED**Washington State Public Disclosure Commission
Instructions for Filing a Formal Complaint**

JUL - 8 2013

Public Disclosure Commission

✚ When to use the formal complaint form:

While this form is not required, its use is recommended when you want to file formal allegations of a violation of the Public Disclosure Commission (PDC) statutes or rules. You can find the PDC statutes and rules on the PDC website at www.pdc.wa.gov. If you have information or concerns about a possible violation but do not wish to file a complaint, please contact the PDC office directly.

✚ How to submit your complaint form to the PDC:

- Complete all sections. If you do not have some information, please write "unknown" instead of leaving a blank space.
- Attach copies of any evidence you have - we'll contact you if we need originals.
- Sign the oath if your complaint is against an elected official or a candidate for elective office.
- Mail, fax, or email your complaint and all attachments to the PDC.

✚ If you have more questions:

If you have more questions about filing a complaint, see the "Frequently Asked Questions about Filing a Complaint" guide available on the PDC's website at www.pdc.wa.gov under "Enforcement and Compliance." You may also contact the PDC directly.

PDC Contact Information

MAILING ADDRESS: Washington State Public Disclosure Commission
711 Capitol Way, Room 206
PO Box 40908
Olympia, WA 98504-0908

EMAIL ADDRESS: pdc@pdc.wa.gov

PHONE: 1-877-601-2828 (toll free)

FAX: (360) 753-1112

HOURS: Monday-Friday, 8:00 a.m. – 5:00 p.m., closed on state holidays.

Evidence relative to Allegation #4

from

Gary Huhta

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Public Disclosure Commission

EXHIBIT A

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Public Disclosure Commission

Phone Call w/ BLS 9/14/12 8:00 am

Anagnostu claims PWD

Should have used cost cap

~ \$8-10M all you need

Send to Mark McCrady by 9:00 am today:

Summary description of 1-937 cost cap

List of 1-937 eligible utilities

AM have 3 Commissioners but Grant, Chelan

Have Sandy PDF copy of cost cap & and include
in email.

Gary Huhta

EXHIBIT B

From: Gary Huhta
Sent: Friday, September 14, 2012 9:06 AM
To: Mark McCrady
Cc: Brian Skeahan
Subject: I-937 Cost Cap
Attachments: I-937 Cost Cap.pdf

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Mark,

Cowlitz PUD cannot demonstrate achievement of the cost cap under I-937. In summary, the law provides for a benchmark to be set at 4% of retail revenue. The cost cap for Cowlitz PUD is approximately \$9.6 million (\$240 million retail revenue x 4%). To qualify for the cost cap, a utility needs to demonstrate that the difference between the cost of its qualifying renewable resource and a "substitute resource" rises to the level of the 4% cap, i.e. \$9.6 million for Cowlitz PUD.

What is key here is the measure is the difference between the qualifying renewable resource and a "substitute resource". A substitute resource, for example, would be a natural gas generating facility, i.e. combined cycle combustion turbine (CCCT), or a market purchase of power.

A utility cannot simply compare the total cost of the renewable resource to the cost cap (benchmark). When Cowlitz subtracts the cost of a substitute resource from Cowlitz' renewable resource cost, the difference is not that great, so Cowlitz is unable to achieve the cost cap.

There are 17 Washington qualifying utilities (3 IOUs, 10 PUDs, 2 cities, and 2 coops) under I-937, and I understand that possibly one of them is able to claim achievement of the cost cap. All of the other utilities are procuring renewable resources or renewable energy credits to comply with I-937.

Gary Huhta

EXHIBIT 2

From: Gary Huhta
Sent: Friday, September 14, 2012 9:08 AM
To: Brian Skeahan
Subject: I-937 stuff

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Public Disclosure Commission

Brian, I sent the email to Mark's PUD address...If that was not correct, please forward.

Gary Huhta

EXHIBIT D

From: Brian Skeahan
Sent: Friday, September 14, 2012 9:28 AM
To: Gary Huhta
Subject: Re: I-937 Cost Cap

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Public Disclosure Commission

That should work. Much thanks

Sent from my iPhone

On Sep 14, 2012, at 9:06 AM, "Gary Huhta" <Ghuhta@cowlitzpud.org> wrote:

Mark,

Cowlitz PUD cannot demonstrate achievement of the cost cap under I-937. In summary, the law provides for a benchmark to be set at 4% of retail revenue. The cost cap for Cowlitz PUD is approximately \$9.6 million (\$240 million retail revenue x 4%). To qualify for the cost cap, a utility needs to demonstrate that the difference between the cost of its qualifying renewable resource and a "substitute resource" rises to the level of the 4% cap, i.e. \$9.6 million for Cowlitz PUD.

What is key here is the measure is the difference between the qualifying renewable resource and a "substitute resource". A substitute resource, for example, would be a natural gas generating facility, i.e. combined cycle combustion turbine (CCCT), or a market purchase of power.

A utility cannot simply compare the total cost of the renewable resource to the cost cap (benchmark). When Cowlitz subtracts the cost of a substitute resource from Cowlitz' renewable resource cost, the difference is not that great, so Cowlitz is unable to achieve the cost cap.

There are 17 Washington qualifying utilities (3 IOUs, 10 PUDs, 2 cities, and 2 coops) under I-937, and I understand that possibly one of them is able to claim achievement of the cost cap. All of the other utilities are procuring renewable resources or renewable energy credits to comply with I-937.

<I-937 Cost Cap.pdf>

RECEIVED

EXHIBIT E

JUL - 8 2013

WHY COWLITZ PUD DID NOT UTILIZE THE COST CAP PROVISIONS UNDER I-937 Public Disclosure Commission

Cowlitz PUD cannot demonstrate achievement of the cost cap under I-937. In summary, the law provides for a benchmark to be set at 4% of retail revenue. The cost cap for Cowlitz PUD is approximately \$9.6 million (\$240 million retail revenue x 4%). To qualify for the cost cap, a utility needs to demonstrate that the difference between the cost of its qualifying renewable resource and a "substitute resource" rises to the level of the 4% cap, i.e. \$9.6 million for Cowlitz PUD.

What is key here is the measure is the difference between the qualifying renewable resource and a "substitute resource". A substitute resource, for example, would be a natural gas generating facility, i.e. combined cycle combustion turbine (CCCT), or a market purchase of power.

A utility cannot simply compare the total cost of the renewable resource to the cost cap (benchmark). When Cowlitz subtracts the cost of a substitute resource from Cowlitz' renewable resource cost, the difference is not that great, so Cowlitz is unable to achieve the cost cap.

There are 17 Washington qualifying utilities (3 IOUs, 10 PUDs, 2 cities, and 2 co-ops) under I-937, and I understand that possibly one of them is able to claim achievement of the cost cap. All of the other utilities are procuring renewable resources or renewable energy credits to comply with I-937.

Attorney Kurt Anagnostou

EXHIBIT F

RECEIVED

From: Mark McCrady <mamccrady2005@yahoo.com>
Sent: Friday, September 14, 2012 7:24 PM
To: Attorney Kurt Anagnostou
Subject: Re: PUD

JUL - 8 2013

Public Disclosure Commission

The information was four pages of the cost-cap language out of the I-937 RCW.194. It is available in your law library. The rest of the information was a white paper I put together to explain why we do not qualify. You need to fill out a FIOA request for the cost cap research the utility did years ago.

Mark

From: Attorney Kurt Anagnostou <ka@dajustice.com>
To: Mark McCrady <mamccrady2005@yahoo.com>
Sent: Friday, September 14, 2012 5:24 PM
Subject: PUD

Mark:

Can I get a copy of the document you handed to the TDN board regarding I-937 compliance? Email would be fine or you can fax it to 577-6640.

Thank you,
Kurt

Evidence relative to Allegation #5

from

Heather Allen

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To: Gary Huhta
From: Heather Allen
Subject: PDC Investigation
Date: June 10, 2013

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General Manager Skeahan approached me around the end of May, 2012 and requested that I pull together information related to the District's labor costs. The Daily News publishes the top 10 salaries of District employees annually which usually creates some contention with our customers. To my knowledge, labor cost concerns have been addressed during rate hearings and other public hearings or news articles. In Mr. Skeahan's request he stated that this report would be for Commissioner McCrady to use as "speaking points" when addressing the public.

The request for Commissioner McCrady required me to research and pull data together from our systems and other departmental spreadsheets from 2005 through 2011. The report included analysis of District payroll costs, FTE changes, O&M expenses, A&G expenses and disbursements for this 7 year period.

The information requested is outside of the scope of my normal benchmarking duties. In the past, I have strictly utilized APPA and WPUDA data sourcebooks to compile the Benchmarking Data report for Mr. Skeahan. This Benchmarking Data report focuses more on comparing metrics such as revenue per kWh data, financial data, operating expenses and capital expenditures for the District to other utility systems.

The Labor Cost Analysis report was provided to Mr. Skeahan on August 16th, 2012. The Benchmarking Data report was completed on October 17th, 2012.

Sincerely,

Heather Allen
Risk Manager

Evidence relative to Allegation #6

from

Royce Hagelstein

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Public Disclosure Commission



961 12th Avenue • PO Box 3007 • Longview, WA 98632

To: Gary Huhta, Acting General Manager and Don McMaster, General Manager

From: Royce Hagelstein, Auditor 

Date: June 10, 2013

Re: Brian Skeahan and Mark McCrady re-election

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Deferral of Payments – Resolution No. 2616 Settlement

In early 2012, Brian directed staff to pay amounts required under Resolution No. 2616, a resolution authorizing a reduction in compensation for top administrative personnel. The Resolution specifically stated that the Resolution "shall have no adverse impact on the retirement benefits for those listed in" the resolution. In late March 2012, calculations were finalized and Paul Brachvogel sent an email on March 23rd with a 23 page attachment – the attachment follows – to Buz Ketcham, Ned Piper, Mark McCrady and Brian. The attachment detailed the legality, background, payment calculation methodology and amounts. On March 25th I was "Cc'd" on an email from Mark to Brian asking "how much money are we talking about on this" and Brian replied he would send it again (attached). I'm assuming Brian sent it again to at least Mark; however, a worksheet showing the amounts by individual was included in the 23 page attachment that Paul provided in his email. The total amount of the cash out was \$150,198.06 as of March 23rd. On March 28th (email attached) Paul asked Brian if he should "request the (retirement-type) checks be cut and issued this week?" Brian responded "Yes".

In early April, employees were asked to sign a release and told they would be paid the amount due. However, before all releases were signed and before any payments were made, Brian said that "Mark did not want the payments made until after the election". As a result, payments were made on November 21, 2012 and by this time the total liability had grown to \$185,080.55. However, Dave Andrew and Paul Brachvogel declined the amounts due them.

Fitch Rating Surveillance Meeting

During Fitch Ratings surveillance meeting (late June 2012) Brian was upset about the negative outlook that Fitch was proposing. During a telephone conference with Fitch (Alan Spen and Michael Murad) and with Brian, Gary Huhta, Trent Martin and I on the call, Brian stated a couple of times that "it would be in everyone's best interest that Mark McCrady be re-elected". Brian attempted to have them change some of the language but Fitch did not alter their report.

Preparation of Various Documents for Mark

Brian asked me to assist Trent Martin and Heather Allen in gathering financial data so "Mark would have it at his fingertips" should he need it. I believe Trent and Heather spent several hours gathering information so Mark would have it available.

Royce Hagelstein

From: Paul Brachvogel
Sent: Friday, June 14, 2013 2:17 PM
To: Royce Hagelstein
Subject: FW: Resolution 2616

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Paul Brachvogel
General Counsel
Public Utility District #1 of Cowlitz County
(360) 577 7578

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From: Brian Skeahan
Sent: Wednesday, March 28, 2012 2:12 PM
To: Paul Brachvogel
Subject: Re: Resolution 2616

Yes

Sent from my iPad

On Mar 28, 2012, at 9:53 AM, "Paul Brachvogel" <pbrachvogel@cowlitzpud.org> wrote:

Brian- shall I request the (retirement-type) checks be cut, and issued this week?

Paul Brachvogel

General Counsel

Public Utility District #1 of Cowlitz County

(360) 577 7578

Evidence relative to Allegation #7

from

Trent Martin

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June 17, 2013

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To: Don McMaster and Gary Huhta
Fr: Trent Martin, CFO
Re: Mr. Brian Skeahan and Fitch Surveillance Call

On June 27, 2012 the District had its second credit rating surveillance call with Fitch (the first call was May 16, 2012). The focus of the call was feedback from Fitch after having presented to the Credit Rating Committee. The call included:

From the District:

- Brian Skeahan
- Gary Huhta
- Royce Hagelstein
- Trent Martin

From Fitch:

- Alan Spen
- Michael Murad

During the call Mr. Skeahan noted the upcoming election for Mr. McCrady. Although Mr. Skeahan did not specifically request that the rating determination be influenced in order to assist in Mr. McCrady's re-election, Mr. Skeahan did indicate to Mr. Spen that "it is in my and your best interest that Mr. McCrady be re-elected." There was an obvious awkward moment of clarification by Mr. Spen and then Mr. Skeahan repeated the comment. At that point, the subject was dropped. The District was eventually put on a negative watch.

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2001 Distribution Bonds

1.	Bond Amount:		\$ 48,675,000
2.	Bond Premium:		\$ 2,031,045
3.	Bond Underwriter:	Banc of America Securities	\$ 278,580
4.	Bond Attorney:	Preston Gates	\$ 45,000
5.	Bond Insurer:	AMBAC Assurance	\$ 223,855
6.	Reserve Amount:	AMBAC Assurance	\$ 87,615
7.	Financial Advisor:	Jim Seagraves	\$ 17,539
8.	Rating Agency	Standard & Poors	\$ 23,000
9.	Reason for Borrowing:	3 years capital expenditures, including payoff of 2000 and 2001 borrowing of approximately \$20,000,000.	
10.	Reason for Borrowing:	The financial crisis of 2000-2001 with skyrocketing power costs coupled with the costs of temporary generation from natural gas turbines depleted our cash reserves and required borrowing of cash for construction to free up revenues for operations. Resistance to borrowing was reflected in the short life of the bonds (10 years).	
11.	Maturity Date	9/1/2011	
12.	Balance at 9/30/2011		\$ -

2004 Production Bonds

1.	Bond Amount:		\$ 42,180,000
2.	Bond Premium:		\$ 1,172,142
3.	Bond Underwriter:	Banc of America Securities	\$ 287,668
4.	Bond Attorney:	Preston Gates	\$ 69,000
5.	Bond Insurer:	FGIC	\$ 316,769
6.	Reserve Amount:	FGIC	\$ 55,300
7.	Financial Advisor	Jim Seagraves & Alan Dashen	\$ 84,341
8.	Rating Agency	Standard & Poors	\$ 20,000
9.	Reason for Borrowing:	To pay continuing costs of the Swift Project Reconstruction, including borrowing on a line of credit of approximately \$8 million.	
10.	Reason for Borrowing:	To provide for capital requirements related to relicensing, including 4 payments to Pacificorp of roughly \$3 million each	
11.	Maturity Date	9/1/2034	
12.	Balance at 9/30/2011		\$ 37,260,000

2006 Distribution Bonds

1.	Bond Amount:		\$ 61,465,000
2.	Bond Premium:		\$ 2,477,860
3.	Bond Underwriter:	Lehman Brothers	\$ 255,273
4.	Bond Attorney:	Preston Gates	\$ 78,700
5.	Bond Insurer:	MBIA	\$ 306,000
6.	Reserve Amount:	Note: the reserve amount is low because the insured amount of the 2001 bonds was high after the defeasance of those bonds. When the reserve surety expires in 2011, the reserve requirement for these bonds will increase to approximately \$7,240,000.	
7.	Financial Advisor	Alan Dashen	\$ 70,005
8.	Rating Agency	Moody's / Standard & Poors	\$ 49,700
9.	Reason for Borrowing:	To pay off the line of credit for construction for the current year.	

10. Reason for Borrowing: To defease a portion of the 2001 bonds in \$ 12,301,477 order to even out the annual payoff.
11. Reason for Borrowing: To pay for 3 years construction to allow \$ 41,000,000 payment of \$29,000,000 to White Creek from current reserves.
12. Maturity Date 9/1/2026
13. Balance at 9/30/2011 \$ 61,465,000

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2006 Production Bonds

Public Disclosure Commission

1. Bond Amount: \$ 27,540,000
2. Bond Premium: \$ 219,833
3. Bond Underwriter: Lehman Brothers \$ 131,162
4. Bond Attorney: Preston Gates \$ 35,200
5. Bond Insurer: MBIA \$ 185,000
6. Reserve Amount: \$ 2,958,974
7. Financial Advisor Alan Dashen \$ 33,000
8. Rating Agency Moody's / Standard & Poors \$ 22,300
9. Reason for Borrowing: To provide for continuing costs of reconstruction of the Swift Project, and to allow for \$16 million of White Creek costs to be paid from current reserves, including \$14 million that came from insurance proceeds. \$ 24,389,850
10. Maturity Date 9/1/2036
11. Balance at 9/30/2011 \$ 27,540,000

2007 Distribution Bonds

1. Bond Amount: \$ 64,755,000
2. Bond Premium: \$ 2,105,442
3. Bond Underwriter: Lehman Brothers \$ 305,838
4. Bond Attorney: Orrick, Herrington & Sutcliffe \$ 153,000
5. Bond Insurer: FGIC \$ 281,804
6. Reserve Amount: \$ 5,421,325
7. Financial Advisor DashenMusselman \$ 53,000
8. Rating Agency Moody's & Fitch \$ 54,250
9. Reason for Borrowing: To allow payment of White Creek from Distribution Reserves \$ 41,500,000
10. Reason for Borrowing: To provide for Distribution System construction for 3 years \$ 60,000,000
11. Maturity Date 9/1/2027
12. Balance at 9/30/2011 \$ 59,980,000

2010 Distribution Bonds

1. Bond Amount: \$ 63,985,000
2. Bond Premium: \$ 1,968,144
3. Bond Underwriter: Barclays Capital \$ 581,084
4. Bond Attorney: Orrick, Herrington & Sutcliffe \$ 257,182
5. Bond Insurer: \$ -
6. Reserve Amount: \$ 10,833,596
7. Financial Advisor DashenMusselman \$ 70,000
8. Rating Agency Moody's & Fitch \$ 42,596
9. Reason for Borrowing: To allow purchase of Harvest Wind from Distribution Reserves which cost ~ \$ 43,802,500
10. Reason for Borrowing: To provide for Distribution System construction for 3 years \$ 54,159,506
11. Maturity Date 9/1/2032
12. Balance at 9/30/2011 \$ 63,985,000

Cowlitz PUD
Wind Sales - Net Margins

White Creek/Harvest Wind Project Sales, Operating Costs and Net Margins:

	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Total
Sales	\$ 2,427,302	\$ 18,426,042	\$ 19,018,465	\$ 16,746,402	\$ 14,706,499	\$ 4,854,890	\$ 76,179,600
Operations & Maintenance (includes prepay amortization)	(1,086,172)	(9,630,784)	(11,773,908)	(15,838,783)	(16,866,898)	(16,359,606)	(71,556,151)
Cost of Capital (1)	(336,584)	(4,039,010)	(3,913,200)	(5,638,919)	(5,440,240)	(5,232,463)	(24,600,416)
Net Margins	\$ 1,004,546	\$ 4,756,248	\$ 3,331,357	\$ (4,731,300)	\$ (7,600,639)	\$ (16,737,179)	\$ (19,976,967)
							\$ (19,977,000)

(1) WC interest computed at 4.72%, 20 years, project prepay of \$85,572,237. Harvest Wind is computed at 4.26%, 20 years on cost of \$43,602,499. Both represent cost of borrowing on bonds in 2007 and 2010.

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Wind Net Margins thru 2012
01/09/09

SWIFT CANAL PROCEEDS RECEIVED FROM INSURANCE COMPANIES

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NAME	DATE	AMOUNT	
Lloyds of London	10/21/03	\$14,337,607.50	
Lloyds of London	11/25/03	\$534,187.50	
Lloyds of London	5/5/04	\$12,414,530.00	
Lloyds of London	5/5/04	\$12,500,000.00	
Lloyds of London	9/29/04	\$25,000,000.00	
Lloyds of London	11/22/04	\$213,675.00	\$65,000,000.00
Lexington Insurance Company	6/23/03	\$5,000,000.00	\$5,000,000.00
Federated Rural Electric	9/20/02	\$819,500.74	
Federated Rural Electric	12/6/02	\$10,010.37	
Federated Rural Electric	12/19/02	\$120,398.23	
Federated Rural Electric	1/22/03	\$49,463.82	
Federated Rural Electric	6/23/03	\$31,185.00	
Federated Rural Electric	7/20/06	\$235,810.73	
Federated Rural Electric	8/14/06	\$13,892,010.46	
Federated Rural Electric	10/15/06	\$26,818.65	\$15,185,198.00
TIG	11/1/08	\$14,441,371.63	
TIG	1/14/09	\$2,245,715.90	\$16,687,087.53
Total		\$101,872,285.53	\$101,872,285.53

Cowlitz PUD
Electric System
P&L Trend

	12/31/2007	12/31/2008	\$	Variance	%	Variance	12/31/2009	\$	Variance	%	Variance	12/31/2010	\$	Variance	%	Variance	12/31/2011
MAINTENANCE																	
Supervision & engineering	40,790	46,543	5,753	14%			55,034	8,491	18%			60,186	5,152	9%			53,169
Station equipment	63,869	113,249	49,380	77%			80,741	(32,508)	-29%			102,511	21,770	27%			114,571
Overhead lines	103,013	130,771	27,758	27%			105,302	(25,469)	-19%			154,911	49,609	47%			60,185
Misc. transmission plant	4,517	3,573	(944)	-21%			324	(3,249)	-91%			-	(324)	-100%			-
TOTAL MAINTENANCE	212,189	294,136	81,947	39%			241,401	(52,735)	-18%			317,608	76,207	32%			227,925
TOTAL TRANSMISSION EXPENSES	560,213	670,688	110,475	20%			649,764	(20,924)	-3%			806,614	156,850	24%			621,173
																	0.28%
DISTRIBUTION EXPENSES																	
OPERATION																	
Supervision & engineering	1,200,864	1,395,121	194,257	16%			1,911,952	516,831	37%			2,096,435	184,483	10%			1,378,805
Load dispatching	382,304	439,426	57,122	15%			497,701	58,275	13%			561,561	63,860	13%			554,601
Station expenses	70,427	93,804	23,377	33%			81,752	(12,052)	-13%			114,985	33,233	41%			281,135
Overhead line expenses	89,135	215,908	126,773	142%			143,954	(71,954)	-33%			170,836	26,882	19%			6,646
Underground line expenses	(171,450)	122,970	294,420	-172%			51,258	(71,712)	-58%			(26,954)	(78,212)	-135%			-
Street lighting & signal system expenses	1,785	3,467	1,682	94%			2,072	(1,395)	-40%			1,650	(422)	-20%			49,346
Meter expenses	218,031	242,936	24,905	11%			284,599	41,663	17%			286,468	1,869	1%			429,378
Customer installations expense	6,540	2,857	(3,683)	-56%			891	(1,966)	-69%			622	(269)	-30%			8,116
Miscellaneous distribution expenses	747,495	904,239	156,744	21%			998,813	94,574	10%			638,893	(359,920)	-36%			500,489
Rent	86,216	100,895	14,679	17%			75,588	(25,307)	-25%			65,776	(9,812)	-13%			62,775
TOTAL OPERATION	2,631,347	3,521,623	890,276	34%			4,048,580	526,957	15%			3,910,272	(138,308)	-3%			3,271,291
MAINTENANCE																	
Supervision & engineering	257,701	296,268	38,567	15%			291,043	(5,225)	-2%			277,898	(13,145)	-5%			257,950
Structures	3,466	9,854	6,388	184%			60,633	50,779	515%			3,149	(57,484)	-95%			-
Station equipment	340,145	391,061	50,916	15%			262,202	(128,859)	-33%			376,332	114,130	44%			297,496
Overhead lines	2,312,326	2,282,127	(30,199)	-1%			1,643,001	(637,126)	-28%			1,753,041	108,040	7%			2,442,008
Underground lines	549,114	650,918	101,804	19%			565,499	(85,419)	-13%			458,976	(106,523)	-19%			493,352
Line transformers	587,993	750,836	162,863	28%			122,225	(628,631)	-84%			183,893	61,668	50%			136,869
Street light & signal systems	23,941	22,195	(1,746)	-7%			22,896	701	3%			17,674	(5,222)	-23%			24,388
Meters	145,200	131,142	(14,058)	-10%			130,686	(456)	0%			166,979	36,293	28%			152,330
TOTAL MAINTENANCE	4,219,886	4,534,421	314,535	7%			3,100,185	(1,434,236)	-32%			3,237,942	137,757	4%			3,804,393
TOTAL DISTRIBUTION EXPENSES	6,851,233	8,056,044	1,204,811	18%			7,148,765	(907,279)	-11%			7,148,214	(551)	0%			7,075,684
																	3.20%
CUSTOMER ACCOUNTS EXPENSES																	
Supervision	82,257	73,632	(8,625)	-10%			135,019	61,387	83%			159,753	24,734	18%			117,087
Meter reading expenses	776,017	775,105	(912)	0%			886,325	111,220	14%			910,088	23,763	3%			949,783
Customer records & collection expenses	2,141,343	2,309,540	168,197	8%			2,544,137	234,597	10%			2,669,611	125,474	5%			2,580,612
Uncollectible accounts	-	300,000	300,000	#DIV/0!			844,800	544,800	182%			281,631	(563,169)	-67%			300,000
TOTAL CUSTOMER ACCOUNTS EXPENSES	2,999,617	3,458,277	458,660	15%			4,410,281	957,004	28%			4,021,083	(389,198)	-9%			3,947,482
																	1.78%

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CowIitz PUD
Electric System
P&L Trend

SALES OF ELECTRICITY

	12/31/2007	12/31/2008	\$ Variance	% Variance	12/31/2009	\$ Variance	% Variance	12/31/2010	\$ Variance	% Variance	12/31/2011
Residential sales	40,002,140	43,693,271	3,691,131	9%	42,337,149	(1,356,122)	-3%	42,711,581	374,432	1%	49,471,873
Commercial lighting and power sales	24,917,614	24,976,091	58,477	0%	24,719,157	(256,934)	-1%	24,986,825	267,668	1%	27,484,439
Small industrial power sales	1,656,533	1,469,128	(187,405)	-11%	1,334,537	(134,591)	-9%	1,394,957	60,420	5%	1,876,357
Large industrial power sales	126,249,811	124,951,818	(1,297,993)	-1%	106,963,093	(17,988,725)	-14%	120,424,913	13,461,820	13%	124,732,361
Public street and highway lighting	372,632	384,494	11,862	3%	384,677	183	0%	405,960	21,283	6%	446,450
Other sales to public authorities	249,485	237,925	(11,560)	-5%	228,927	(8,998)	-4%	267,691	38,764	17%	298,239
Sales for resale	165,142	16,142	(149,000)	-90%	3,588	(12,554)	-78%	3,016	(572)	-16%	-
TOTAL SALES	193,613,357	195,728,869	2,115,512	1%	175,971,128	(19,757,741)	-10%	190,194,943	14,223,815	8%	204,309,719

White Creek & Harvest Wind power sales

TOTAL SALES OF ELECTRIC ENERGY

OTHER OPERATING REVENUES
Miscellaneous service revenues
Contributions in aid of construction
Rent from electric property

TOTAL OTHER REVENUES

TOTAL OPERATING REVENUES

PURCHASED POWER

BPA
Prest Rapids/Wanapum
Market Purchases
Swift Plant No. 2
Nine Canyon
White Creek & Harvest Wind

TOTAL PURCHASED POWER

OTHER POWER SUPPLY EXPENSES

System control and load dispatching
System control and load dispatching, White Creek
Other expenses

TOTAL OTHER POWER SUPPLY EXPENSES

TOTAL POWER PRODUCTION EXPENSES

TRANSMISSION EXPENSES

OPERATION
Supervision & engineering
Load dispatching
Station expenses
Rents

TOTAL OPERATION

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Cowlitz PUD
Electric System
P&L Trend

	12/31/2007	12/31/2008	\$ Variance	% Variance	12/31/2009	\$ Variance	% Variance	12/31/2010	\$ Variance	% Variance	12/31/2011
DEPRECIATION AND AMORTIZATION	5,907,581	6,387,255	479,674	8%	7,093,238	705,983	11%	8,586,799	1,493,561	21%	9,844,529
	2.95%	2.99%			3.59%			4.10%			4.45%
TAXES	10,770,731	10,966,359	195,628	2%	9,519,323	(1,447,036)	-13%	9,308,643	(210,680)	-2%	11,374,404
	5.38%	5.14%			4.82%			4.45%			5.14%
TOTAL OPERATING EXPENSES	185,796,147	203,560,457	17,764,310	10%	186,107,496	(17,452,961)	-9%	202,437,026	16,329,530	9%	210,877,263
TOTAL OPERATING INCOME	14,574,833	9,914,555	(4,660,278)	-32%	11,477,629	1,563,074	16%	6,930,374	(4,547,255)	-40%	10,325,980
OTHER INCOME/(DEDUCTIONS)											
Income from mds., jobbing & contract work	5,997	4,176	(1,821)	-30%	3,075	(1,101)	-26%	(349)	(3,424)	-111%	34,285
Interest and dividend income	5,152,629	2,762,741	(2,389,888)	-46%	882,376	(1,880,365)	-68%	89,210	(793,166)	-90%	183,996
Miscellaneous non-operating revenues	32,078	43,007	10,929	34%	4,091	(38,916)	-90%	3,296	(795)	-19%	1,216,447
Miscellaneous deductions	(74,957)	-	74,957	-100%	(497,282)	(497,282)	#DIV/0!	473,649	970,931	-195%	(49,247)
Bond interest expense	(4,346,486)	(6,921,981)	(2,575,495)	59%	(7,436,181)	(514,200)	7%	(9,061,781)	(1,625,600)	22%	(9,282,814)
TOTAL OTHER INCOME/(DEDUCTIONS)	769,261	(4,112,057)	(4,881,318)	-635%	(7,043,921)	(2,931,864)	71%	(8,495,975)	(1,452,054)	21%	(7,897,333)
	0.38%	-1.93%			-3.57%			-4.06%			-3.57%
NET INCOME/(LOSS)	15,344,094	5,802,498	(9,541,596)	-62%	4,433,708	(1,368,790)	-24%	(1,565,601)	(5,999,309)	-135%	2,428,647
Net Income - Per Audit	15,344,094	5,802,498			4,433,708			(1,565,601)			2,428,647
Variance	-	-	-		-	-		-	-		-

Selected Balance Sheet Accounts
Unrestricted Cash & Investments (Incl. Rate Stabilization)

Inventory	12,605,929	22,497,920	9,891,991	78%	26,645,793	4,147,873	18%	15,916,254	(10,729,539)	-40%	19,517,567
Gross Plant	3,630,319	3,648,106	17,787	0%	4,098,850	450,744	12%	4,786,386	687,536	17%	3,949,058
Wind Projects, net of amortization	195,237,052	215,494,209	20,257,157	10%	242,635,648	27,141,439	13%	260,762,539	18,126,891	7%	276,022,841
TEA	88,230,047	91,893,537	3,663,490	4%	141,894,380	50,000,843	54%	119,857,300	(22,037,080)	-16%	113,838,098
Rate Stabilization	-	-	-	#DIV/0!	-	-	#DIV/0!	3,855,880	3,855,880	#DIV/0!	3,169,973
Bonds	141,155,000	137,700,000	(3,455,000)	-2%	7,700,000	-	0%	7,700,000	-	0%	9,700,000
Other Debt	15,903,469	15,537,413	(366,056)	-2%	134,065,000	(3,635,000)	-3%	191,895,000	57,830,000	43%	185,430,000
Net Assets	130,572,846	138,860,313	8,287,467	6%	54,035,019	38,497,606	248%	26,509,546	(27,525,473)	-51%	25,918,611
Debt Service, net BAB subsidy	7,259,676	9,524,189	2,264,513	31%	143,294,021	4,433,708	3%	141,728,420	(1,565,601)	-1%	144,157,067
					10,328,919	804,730	8%	14,131,751	3,802,832	37%	16,098,610

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Cowlitz PUD
Electric System
P&L Trend

CUSTOMER SERVICE & INFORMATIONAL EXPENSE

	12/31/2007	12/31/2008	\$ Variance	% Variance	12/31/2009	\$ Variance	% Variance	12/31/2010	\$ Variance	% Variance	12/31/2011
Supervision	51,217	52,970	1,753	3%	52,118	(852)	-2%	53,118	1,000	2%	105,464
Customer assistance expenses	86,659	92,051	5,392	6%	96,082	4,031	4%	97,639	1,557	2%	9,112
Energy conservation	-	191,397	191,397	#DIV/0!	2,045,805	1,854,408	969%	(18,667)	(2,064,472)	-101%	(766,432)
Informational & instruct. advertising exp.	76,114	89,964	13,850	18%	138,893	48,929	54%	87,615	(51,278)	-37%	92,406
TOTAL CUSTOMER SERV. AND INF. EXPENSES	213,990	426,382	212,392	99%	2,332,898	1,906,516	447%	219,705	(2,113,193)	-91%	(559,450)
	0.11%	0.20%			1.18%			0.10%			-0.25%

ADMINISTRATIVE & GENERAL EXPENSES

OPERATION											
Administrative & general salaries	3,355,427	3,781,372	425,945	13%	4,447,003	665,631	18%	4,969,068	522,065	12%	4,559,615
Office supplies & expenses	510,189	722,465	212,276	42%	655,846	(66,619)	-9%	501,012	(154,834)	-24%	662,276
Admin. exp. transferred	(2,902,231)	(3,244,622)	(342,391)	12%	(4,039,203)	(794,581)	24%	(4,666,264)	(627,061)	16%	(3,737,299)
Outside services employed	864,317	983,161	118,844	14%	722,142	(261,019)	-27%	782,570	60,428	8%	1,788,920
Property insurance	341,033	541,160	200,127	59%	554,189	13,029	2%	684,723	130,534	24%	553,133
Injuries & damages:											
Industrial insurance & medical aid	51,306	83,602	32,296	63%	98,389	14,787	18%	102,849	4,460	5%	117,090
Accident leave	32	660	628	1963%	-	(660)	-100%	4,871	4,871	#DIV/0!	758
Safety & accident prevention	55,335	53,658	(1,677)	-3%	77,475	23,817	44%	52,271	(25,204)	-33%	47,379
Other	7,432	23,689	16,257	219%	40,435	16,746	71%	(562)	(40,997)	-101%	52,796
Employee pension & benefits:											
Sick leave	39,382	36,025	(3,357)	-9%	36,996	971	3%	34,407	(2,589)	-7%	-
Short & long term disability insurance	87,061	82,327	(4,734)	-5%	94,015	11,688	14%	113,688	19,673	21%	516,592
Group insurance	23,731	30,743	7,012	30%	31,364	621	2%	32,475	1,111	4%	32,838
Medical insurance	1,745,001	2,185,850	440,849	25%	2,833,364	647,514	30%	2,381,994	(451,370)	-16%	2,086,099
Dental/vision insurance	219,387	251,448	32,061	15%	254,780	3,332	1%	255,135	355	0%	349,219
Employee pensions & 401k	576,948	1,138,173	561,225	97%	1,165,462	27,289	2%	1,121,018	(44,444)	-4%	1,236,636
Civil leave	3,427	10,769	7,342	214%	4,888	(5,881)	-55%	7,148	2,260	46%	-
Regulatory commission expenses	20,997	9,766	(11,231)	-53%	284,826	275,060	2817%	-	(284,826)	-100%	284,102
Miscellaneous general expenses:											
General advertising expenses	6,676	3,850	(2,826)	-42%	6,056	2,206	57%	12,705	6,649	110%	12,186
Other general expenses	611,328	496,742	(114,586)	-19%	463,646	(33,096)	-7%	861,066	397,420	86%	493,145
Rents	15,162	15,865	703	5%	17,062	1,197	8%	20,472	3,410	20%	16,552
TOTAL OPERATION	5,632,140	7,206,703	1,574,563	28%	7,748,735	542,032	8%	7,270,646	(478,089)	-6%	9,072,037

MAINTENANCE

General structures	235,885	272,219	36,334	15%	265,165	(7,054)	-3%	255,328	(9,837)	-4%	378,367
Office furniture & equipment	20,093	48,355	28,262	141%	40,659	(7,696)	-16%	22,195	(18,464)	-45%	24,176
EDP equipment	175,123	380,093	204,970	117%	830,793	450,700	119%	745,421	(85,372)	-10%	1,040,738
Radio communications equipment	36,340	33,338	(1,002)	-3%	27,781	(7,557)	-21%	30,877	3,096	11%	8,685
Telephone equipment	9,651	16,368	6,717	70%	15,557	(811)	-5%	15,344	(213)	-1%	11,292
SCADA system equipment	122,300	125,030	6,730	6%	98,407	(30,623)	-24%	72,680	(25,727)	-26%	141,027
Miscellaneous general equipment	8,459	7,196	(1,263)	-15%	10,911	3,715	52%	3,484	(7,427)	-68%	19,154
TOTAL MAINTENANCE	607,851	888,599	280,748	46%	1,289,273	400,674	45%	1,145,329	(143,944)	-11%	1,623,439
TOTAL ADMIN. & GENERAL EXPENSES	6,239,991	8,095,302	1,855,311	30%	9,038,008	942,706	12%	8,415,975	(622,033)	-7%	10,695,476
	3.11%	3.79%			4.57%			4.02%			4.84%

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June 17, 2013

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To: Don McMaster and Gary Huhta
Fr: Trent Martin, CFO
Re: Information Requests from Mr. Brian Skeahan

Although not uncommon for Mr. Skeahan to make requests for information, beginning in June of 2012 the frequency increased and the nature of the requests changed to focus more on historical and trend information as well as comparisons to other public power entities. Requests were made verbally and via e-mail. Depending on the request, the information was provided in hard copy or electronically via e-mail. None of the e-mail requests specifically referenced Mr. McCrady's campaign. Occasionally, the verbal requests were noted as being in response to campaign related questions/statements, articles in The Daily News, etc.

On at least two occasions Mr. Skeahan requested format changes to the information provided and indicated the information would make good talking points for Mr. McCrady as he campaigns. On one of those occasions I inquired if Mr. McCrady needed to make records requests for the information and Mr. Skeahan indicated it was the "incumbent advantage."

The following information was provided electronically via e-mail:

- Trend of Revenues and Expenses – 2007 ~ 2011 – June 8, 2012
- Comparison of 2007 ~ 2011 Actual Results to Forecasted Information from 2007 Bond Offering Documents – June 8, 2012
- Labor and Benefits Analysis – 2008 ~ 2011 – June 8, 2012
- Swift Canal Failure Insurance Proceeds – June 12, 2012
- AMI Project Costs – June 21, 2012 (later modified)
- Debt Overview and Summary – July 5, 2012
- Payroll and FTE Analysis – 2005 ~ 8/3/2012 – August 15, 2012

Other information provided via hard copy:

- G&A Expense Trend and Analysis & Utility Comparisons
- Detail of Outside and Professional Services
- Wind Projects Summary – Net margins from inception to date.
- Harvest Wind Investment

In general, interactions with Mr. Skeahan on these requests was limited – except as noted above, generally providing the information requested with occasional follow-up questions.

Evidence relative to Allegation #8
from
Brent Arnold

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One month after starting my new position under Dave Andrew, Dave was promoted to Director of Customer Services (November 2011). With Dave now entrenched in his new role, I began to report to Brian Skeahan. Having a background in mainly advertising and marketing, I found myself desiring more time with Dave, our communications guru to better learn the craft. Overwhelmed by the challenges of my new role, Brian and I met, somewhere around January 17, 2012, to determine direction and purpose for my evolving position.

Attached are my notes from that meeting, which provide Brian's expectations for the rest 2012. It was at this time that I asked to have my title changed from Marketing Coordinator to Communications Coordinator to better fit my responsibilities. The title change was made. Brian repeatedly expressed interest in getting me to relocate nearer to his office.

One of the first things I recall Mr. Skeahan discussing with me, after moving to my new location in late winter of 2012, was that the RCW states that a public utility's General Manager is not allowed to influence a political campaign of a PUD commissioner. At the time it struck me funny that he would be divulging this during a seemingly unrelated conversation. My belief was that Mr. Skeahan understood that what he was doing went against the law and that he was telling me he had to be careful not to get caught. I now have the viewpoint that he was telling me that HE could not do anything to influence the campaign as the GM, but I could do something about it. Looking back, I believe that Brian wanted to move my office location to make me more susceptible to influence—I was positioned between Brian and Sandy Willman.

Many of the marketing ideas I discussed with Brian seemed appropriate for a marketing/communications person to endeavor to accomplish. Things such as promoting the PUD's positive stories in our Connected newsletter; establishing a dialog with our customers via Community Meetings; finding new avenues to reach customers that are not currently engaged; expanding our communications channels (Facebook, Twitter, blog, direct mail) to reach additional demographics and improving our relationship with the local daily newspaper.

Each of these things could also allow us to influence more voters, especially those who were hard to reach via traditional campaign avenues. My philosophy was that our marketing should try to move the public's opinion of the PUD in a favorable direction while promoting the programmatic and technological improvements our customers will enjoy in the future. If that marketing indirectly benefitted Commissioner McCrady, then so be it. Helping our customers better-connect with PUD Commissioners would allow for public concerns to be addressed.

In March 2012, Strategies 360 conducted a survey of Cowlitz PUD customers on behalf of the District. Customer surveys are common in the industry and are frequently conducted every two years. The timing of this survey, however, was suspect in my mind. We recently had a rate increase and we knew our customers were unhappy. Taking a survey at that time might



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capture the true public sentiment or it may provide a skewed version of reality. From this survey the attached media plan was formulated with the help of Strategies 360. Brian was actively involved in massaging the survey questions. He was especially interested in the commissioner's name recognition and Daily News questions.

Later, it was made abundantly clear that one of the main purposes of our marketing (Connected newsletter, advertising, community outreach, etc.) was to ensure a favorable result for Mark McCrady in the November 2012 election per Brian's direction. Specifics of conversations are hard for me to remember, but the purpose and tone was apparent—winning the November election. Brian would regularly ask me how many Connected newsletters we had left before the November election implying I had a short time left to generate the expected results. We were also planning an additional PUD Press and large advertising campaigns as the election approached. You will notice that the attached marketing outline ramps up in June and dies back down in December.

It was at this point that I made a conscious decision not to do the things that I felt crossed the line (e.g. additional PUD Press) into the realm of campaign-driven vs. the PUD's best interest. Marketing focused on what was best for the PUD not for the campaign.

Brian was the catalyst for our Community Meeting program. He had done similar programs at his previous employers and thought it was the right time to initiate the program for Cowlitz PUD. This was explained by the fact that the fall is when heating bills would start to rise. The meetings seemed to be a good practice for Cowlitz PUD, but their timing was certainly suspect. Although they were thought of earlier in the year, they would not take place until the fall. Those areas with the most influence were strategically scheduled nearer to the election.

Mark McCrady was a frequent visitor to the PUD at this time. He would have many closed-door conversations with Brian that resulted in visits to my cubicle. I was often directed to modify our marketing message as a consequence. I was asked to make information available to Mark regularly, either by Brian or Mark. The requests were clearly to provide Mr. McCrady with ammunition for his campaign.

Once the results of the election were tabulated, I felt somewhat responsible for Commissioner McCrady's loss. After being told so often of the importance of marketing in regards to a favorable election, how could I think differently?

Brian's meeting notes

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Challenges

- Board of Commissioners
 - Election 2012 incumbent re-elected (Mark McCrady). If he wins we will be doing well, but if he loses we will be on the wrong track.
 - Board not satisfied with current situation – at all
 - Mark's constituents don't like him
 - Buzz's constituents do like him
 - Ned narrowly won the past election
 - Arrange a one-on-one conversation with each Commissioner – SWOT
 - Liberal stance
 - Like our portfolio
 - Frustration with the public's perception of the PUD and the Commissioners
- Communication/marketing plan for 2012 – develop a plan
 - 9 month plan
 - Need to better reach younger and educated demographic
 - Like a political campaign
 - Geared towards Nov. 2012
 - How do we communicate the positive things we have done?
 - Effectively communicate the customer benefits.
- Research
 - Focus group
 - focus group dvd – find and watch
 - Have a high dissatisfaction with The Daily News – only about half our customers subscribe.
 - What, to whom, where, how, when
 - Surveys
 - Customer Survey - Questions to address – already budgeted (SWOT)
 - Perception that we are a private power company
 - Perception that we are a bumbling governmental agency
 - What is their perception of the PUD fundamentally? (Govt., Non-profit, etc.)
 - Perception that we haven't told them what we do with their money
 - Why do we need to be defensive and apologetic?
 - NW River Partners Survey – use as a resource
 - Old Customer Survey – use as a resource
- Newsletter
 - Stagnant
 - Go back through 3 years of articles and capture by topic the frequency.

- Too warm and fuzzy
 - Need to do better job of portraying the positive things we have done
 - Need a more hard hitting publication – (e.g. The PUD Press – Quarterly)
- Employees
 - Our Ambassadors
 - Show our connection to the community
- Media
 - The Daily News
 - Board doesn't like the paper (some more than others)
 - No coherent strategy to combat TDN articles/letters
 - Columbia River Reader – Ned's wife Sue Piper publishes this publication as well as a chamber business to business publication.

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1. Form
- | | |
|---|---|
| A | 1 |
| B | 2 |
2. Gender
- | | |
|--------|---|
| Male | 1 |
| Female | 2 |
3. Years of service (round to nearest whole number) _____
4. Average bill (round to nearest dollar) _____
5. Six-digit account number _____
6. Discount
- | | |
|-------|---|
| Yes | 1 |
| Blank | 2 |
7. Five-digit zip code _____

DNR = Volunteered response, do not read

Hello, may I please speak with (NAME ON LIST)? My name is _____ from _____, a public opinion polling firm. We're not selling anything. We are conducting a survey about some issues people have been talking about lately. It will take only a few minutes and all responses will be anonymous and used only for research purposes.

IF NAME ON LIST UNAVAILABLE, ASK FOR YOUNGEST AVAILABLE PERSON IN HOUSEHOLD OVER THE AGE OF 18

8. First, are you 18 years or older and currently living in Cowlitz (COW-lits) County, Washington?

Yes CONTINUE
No TERMINATE
DK/NA/REFUSED TERMINATE

9. Do you or does anyone in your household work in any of the following industries? (READ LIST)

Media TERMINATE
Politics TERMINATE
Public utilities TERMINATE
Agriculture CONTINUE
Tourism CONTINUE
None (DNR) CONTINUE
DK/NA/REFUSED TERMINATE

10. To start, in general, would you say that things in Cowlitz County are heading in the right direction or are things off on the wrong track? (PUSH TO MAKE CHOICE)

Right direction 1
Wrong track 2
Mixed (DNR) 3
DK/NA/REFUSED 4

11. What would you say is the most important issue facing Cowlitz County today? (READ LIST)

Economy and jobs 1
Government budget / taxes 2
Bills and cost of living 3
Education 4
Something else 5
DK/NA/REFUSED 6

12. How would you rate the condition of the local economy? Is it... (READ AND ROTATE LIST TOP TO BOTTOM)

Very strong 1
Somewhat strong 2
About average 3
Somewhat poor 4
Very poor 5
DK/NA/REFUSED 6

13. How about for you personally? Would you rate your family's economic situation as... (READ AND ROTATE LIST TOP TO BOTTOM)

Very strong 1
Somewhat strong 2
About average 3
Somewhat poor 4
Very poor 5
DK/NA/REFUSED 6

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Now I'm going to read you a short list of the names of some people and organizations you may be familiar with. After I read each one, I'd like you to tell me if you have a very favorable, somewhat favorable, somewhat unfavorable or very unfavorable opinion of that person or organization. If you don't recognize the name or if you recognize the name but do not have an opinion, please just say so and we will move to the next name. Here is the first one...

	ROTATE ALL	Very Fav	SW Fav	SW Unfav	Very Unfav	Recog., No opin	Don't recog.	DK/ REF
14.	Buz Ketcham (<u>KETCH-um</u>)	1	2	3	4	5	6	7
15.	Mark McCrady (<u>mick-CRAY-dee</u>)	1	2	3	4	5	6	7
16.	Ned Piper	1	2	3	4	5	6	7

17. Changing directions, I'd like you to consider all your experiences to date with Cowlitz Public Utility District, also known as Cowlitz PUD (pee-you-dee). Will you please tell me if you are very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied with Cowlitz PUD? Or are you neither satisfied nor dissatisfied?

Very satisfied 1
Somewhat satisfied 2
Neither satisfied nor dissatisfied 3
Somewhat dissatisfied 4
Very dissatisfied 5
DK/NA/REFUSED 6

I'm going to read you a list of qualities that might be used to evaluate an electric utility. For each one, please tell me if you would rate Cowlitz PUD's performance as excellent, good, fair, or poor on that measure of quality. Here is the first one...

	ROTATE ALL	Exc	Good	Fair	Poor	DK/REF
18.	Keeping longer power outages to a minimum	1	2	3	4	5
19.	Restoring power quickly after an outage	1	2	3	4	5
20.	Keeping blinks or momentary outages to a minimum	1	2	3	4	5
21.	Communicating with you and keeping you informed	1	2	3	4	5
22.	Being good stewards of the environment	1	2	3	4	5
23.	Ensuring the PUD's electric infrastructure is safe for the public and its workers	1	2	3	4	5
24.	Being involved and supporting the local community	1	2	3	4	5
25.	Making responsible investments in PUD infrastructure so it is up to date and in good repair	1	2	3	4	5
26.	Making responsible investments in renewable energy	1	2	3	4	5

Changing directions for a moment...

27. In the last week, did you happen to read either a newspaper or visit the website of a newspaper? (IF YES:) Which newspaper or newspapers did you read or visit online? (OPEN ENDED WITH PRECODES; DNR CODES; ACCEPT UP TO FOUR)

The Daily News (Longview / Kelso paper) 1
The Seattle Times 2
The Oregonian 3
Columbia River Reader 4
The Reflector 5
The Valley Bugler 6
The Vancouver Columbian 7
All other newspapers mentioned 8
Did not read a newspaper 9
DK/NA/REFUSED 10

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28. Have you read or heard anything recently about the Cowlitz PUD? (IF YES:) Did what you read or heard leave you with a favorable or unfavorable opinion of Cowlitz PUD?

Favorable opinion 1
Unfavorable opinion 2
Neutral (DNR) 3
Did not hear or read anything 4
DK/NA/REFUSED 5

29. (READ ONLY IF Q28 = 1,2,3) Can you tell me what you read or heard? (OPEN ENDED WITH PRECODES; DNR CODES)

General news 1
Salaries / raises / benefits for Cowlitz staff 2
Poor management / poor use of money 3
Increasing electric rates / news about rates 4
Wind farms / California / renewable energy 5
Profit / greed 6
Infrastructure investments / upgrading 7
Borrowing / debt 8
Other (RECORD) 9
DK/NA/REFUSED 10

For each of the following, please tell me if you would rate Cowlitz PUD's performance as excellent, good, fair, or poor. Here is the first one...

ROTATE ALL		Exc	Good	Fair	Poor	DK/REF
30.	Keeping you informed about rate changes	1	2	3	4	5
31.	Providing a good value for the dollar	1	2	3	4	5
32.	Working to keep rates as low as possible	1	2	3	4	5
33.	Offering a good selection of options and incentives to help you control your monthly bill and conserve energy	1	2	3	4	5
34.	Having cost conscious management	1	2	3	4	5
35.	Charging a reasonable amount for new service connections, deposits, late charges and other fees	1	2	3	4	5
36.	Paying fair and reasonable employee wages	1	2	3	4	5
37.	Keeping debt and borrowing to a minimum	1	2	3	4	5

38. How much does your monthly electric bill affect your family budget? Would you say your electric bill is an extremely serious problem, a somewhat serious problem, not much of a problem, or not a problem for your family budget?

Extremely serious problem 1
Somewhat serious problem 2
Not much of a problem 3
Not a problem 4
DK/NA/REFUSED 5

39. Which of the following statements comes closest to your own opinion, even if none are exactly your opinion? (READ LIST) JUL - 8 2013

The money I pay Cowlitz PUD for electricity is too high and not a good value for the money 1
The money I pay Cowlitz PUD for electricity is probably fair considering their service and reliability 2
The money I pay Cowlitz PUD for electricity is a great deal considering their service and reliability 3
DK/NA/REFUSED 4

40. On a different topic, in 2006, Washington voters voted to approve a proposal which required electric utilities to increase the percentage of new renewable energy, such as wind and solar, that they sell to their customers. Thinking back, do you recall whether you voted in favor or against this proposal?

In favor 1 (GO TO Q41)
Against 2 (GO TO Q42)
Can't remember (DNR) 3 (GO TO Q42)
Didn't vote (DNR) 4 (GO TO Q42)
DK/NA/REFUSED 5 (GO TO Q42)

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41. Which of the following comes closest to the primary reason you supported this proposal, even if none are exactly your opinion. (READ AND ROTATE)
- I thought it would lower my electric bills 1
 - I believed it would be good for the environment 2
 - I believed it would create jobs in Washington..... 3
 - None of these (DNR) 4
 - DK/NA/REFUSED..... 5
42. Based on what you have seen or heard, in the last 6 months, can you recall whether Cowlitz PUD has (ROTATE:) raised its rates, lowered its rates, or kept its rates about the same?
- Raised 1
 - Kept the same 2
 - Lowered..... 3
 - DK/NA/REFUSED..... 4
43. (READ ONLY IF Q42 = 1) As a percentage, can you recall the size of this rate increase? (CODE PERCENTAGE, IF DK/NA/REFUSED: CODE 999)
44. Based on what you may have heard or read, on average do you believe that the electric rates paid by Cowlitz PUD customers are (ROTATE:) higher, lower or about the same as the rates paid by others in Washington and Oregon?
- Higher..... 1
 - About the same 2
 - Lower 3
 - DK/NA/REFUSED..... 4
45. I'd like to give you some more information. Last year, the Cowlitz PUD raised electricity rates for residential customers. Compared with the cost increases you have seen for other goods and services, would you say this rate increase was reasonable or unreasonable? (IF UNREASONABLE:) Is that completely unreasonable or somewhat unreasonable?
- Reasonable 1
 - Somewhat unreasonable 2
 - Completely unreasonable 3
 - DK/NA/REFUSED..... 4
46. In the next several years, do you expect electric rates to continue to increase, to stay about the same or to go down?
- Increase..... 1
 - About the same 2
 - Go down 3
 - DK/NA/REFUSED..... 4
47. Based on what you have read or heard, what were the primary reasons that Cowlitz PUD increased its electric rates? (OPEN ENDED WITH PRECODES; ACCEPT UP TO THREE)
- General cost of doing business / inflation..... 1
 - Wholesale power costs / fuel costs 2
 - Salaries / raises / benefits for Cowlitz staff..... 3
 - Poor management / poor use of money 4
 - Demand / usage 5
 - Bad economy / economic forces 6
 - Regulations..... 7
 - Wind farms / California..... 8
 - Profit / greed 9
 - Voter initiatives / Renewable energy standards..... 10
 - Infrastructure investments / upgrading 11
 - Borrowing / debt..... 12
 - Other (RECORD)..... 13
 - DK/NA/REFUSED..... 14

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I'm going to read you a few of the reasons Cowlitz PUD gave its customers when explaining why rates have gone up. Please tell me if you find each one to be a very good reason, a somewhat good reason, a somewhat bad reason or a very bad reason for the rate increase.

	ROTATE ALL	Very Good	SW Good	SW Bad	Very Bad	DK/REF
48. In the past, over 85% of the power Cowlitz PUD provided its customers was from hydropower, which is a cheap energy source. However, state law now requires electric utilities to buy or generate new renewable resources which are more expensive than hydropower.		1	2	3	4	5
49. One of the main reasons that major employers choose to operate and hire workers in Cowlitz County is its energy costs are lower than surrounding areas. In order to ensure that businesses didn't cut jobs or move away due to higher energy costs, Cowlitz had to take action to keep energy costs down for employers.		1	2	3	4	5
50. Cowlitz PUD has reduced the number of its employees and taken other measures to control costs but these expenses are only a fraction of the PUD's budget and savings are being overwhelmed by the cost of buying power.		1	2	3	4	5
51. Now that you have a little more information, I'd like to ask: compared with the cost increases you have seen for other goods and services, would you say the rate increase was reasonable or unreasonable? (IF UNREASONABLE:) Is that completely unreasonable or somewhat unreasonable?						
Reasonable		1				
Somewhat unreasonable		2				
Completely unreasonable		3				
DK/NA/REFUSED		4				
Changing directions again...						
52. Which of the following comes closest to your own opinion, even if neither is exactly your opinion? (READ AND ROTATE)						
I don't feel like I have much control over the size of my monthly electric bill regardless of what I do		1				
I feel like I could significantly reduce the size of my monthly electric bill if I committed to reducing my energy usage		2				
Neither (DNR)		3				
DK/NA/REFUSED		4				
53. In your opinion, should the amount a person is charged for electricity be determined by that person's monthly income or by that person's monthly electricity usage?						
Income		1				
Usage		2				
Neither (DNR)		3				
Some combination (DNR)		4				
DK/NA/REFUSED		5				
54. From time to time, a local newspaper prints the ten highest employee salaries for the PUD and several other local government agencies. Have you ever seen these lists?						
Yes		1				
No		2				
Can't recall (DNR)		3				
DK/NA/REFUSED		4				
55. Do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?						
Way too much		1				
Somewhat too much		2				
Reasonable		3				
Not paid enough (DNR)		4				
DK/NA/REFUSED		5				
56. Compared to similar sized PUDs, do you think the salaries of Cowlitz PUD employees are higher, lower or about the same?						
Higher		1				
About the same		2				
Lower		3				
DK/NA/REFUSED		4				

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57. According to the Longview Daily News, the ten highest paid employees at Cowlitz PUD are paid between \$116,000 and \$177,000 per year. After hearing this, would you say Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

58. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that to attract and retain a skilled workforce that can operate high-tech equipment and keep infrastructure running safely, Cowlitz needs to pay competitive salaries that attract talented workers. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

59. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that the wages paid to Cowlitz PUD employees are determined by paying wages comparable to those with comparable jobs at similar electric utilities in Washington, Oregon and Idaho. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

60. Some say ratepayers are getting huge electric bills to pay for expensive salaries at Cowlitz PUD. Others say that it is unfair to blame employees for electric bills. Even if Cowlitz PUD went as far as to cut the salaries of every single employee in half, it would only reduce the average customer's bill by less than seven dollars. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

Cowlitz PUD invests millions annually into infrastructure maintenance. I'm going to read you a short list. Keeping in mind things such as electric rates and the economy, please tell me whether you think that it is very important, somewhat important, not too important, or not at all important for the PUD to do each of the following in the next 3 years. Here is the first one...

	ROTATE ALL	Very import	SW import	Not too import	Not at all	DK
61.	Invest to maintain service reliability and maintain a low power outage rate	1	2	3	4	5
62.	Invest to maintain the safety of existing infrastructure	1	2	3	4	5
63.	Invest to plan for county population growth and increasing energy demand	1	2	3	4	5
64.	Clean renewable energy investments	1	2	3	4	5
65.	Investing in new technology to help customers better manage their energy use	1	2	3	4	5

66. When you receive Cowlitz PUD's monthly newsletter in your bill, do you generally... (READ LIST)

Read it thoroughly.....1
Read it casually.....2
Read it some months but not others.....3
Never read it.....4
DK/NA/REFUSED.....5

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Public Disclosure Commission

67. What is your primary source of news concerning your local community: printed newspaper, radio, local television news, friends and family, online news sources, or something else?

Printed newspaper..... 1
Radio..... 2
Local television news..... 3
Talking with friend and family..... 4
Online news sources..... 5
Something else..... 6
DK/NA/REFUSED..... 7

68. Do you receive The Longview Daily News? (IF YES:) Would you say you... (READ LIST)

Read it thoroughly..... 1
Read it casually..... 2
Read it only occasionally..... 3
Never read it..... 4
Don't receive (DNR)..... 5
DK/NA/REFUSED..... 6

69. How much do you trust the quality and fairness of information in the Longview Daily News? (READ LIST)

A lot..... 1
A fair amount..... 2
Just a little..... 3
Not at all..... 3
Never read it..... 4
Don't receive (DNR)..... 5
DK/NA/REFUSED..... 6

I have just a few questions left for statistical purposes.

70. Which of the following best describes your age? (READ LIST)

18-34..... 1
35-44..... 2
45-54..... 3
55-64..... 4
65 or older..... 5
DK/NA/REFUSED..... 6

71. How long have you lived here in Cowlitz County? (READ LIST)

Less than five years..... 1
Five to nine years..... 2
Ten to fourteen years..... 3
Fifteen to twenty years..... 4
Twenty to twenty-four years..... 5
Twenty-five to twenty-nine years..... 6
Thirty years or longer..... 7
DK/NA/REFUSED..... 8

72. What is the highest level of education you have received? (READ LIST)

Less than high school..... 1
High school graduate..... 2
Some college or associates degree..... 3
Bachelors degree..... 4
Graduate or professional degree..... 5
DK/NA/REFUSED..... 6

73. Would you please tell me for the year 2011, was your household income before taxes lower than \$50,000 or was it at or above \$50,000?

Under \$50,000..... 1
At or greater than \$50,000..... 2
DK/NA/REFUSED..... 3

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74. Would you please tell me which of these categories your household income fell into in 2011? (READ LIST)

- \$25,000 or less 1
- Between \$25,000 and \$50,000 2
- Between \$50,000 and \$75,000 3
- Greater than \$75,000 4
- DK/NA/REFUSED 5

75. Which of the following best describes your current employment status – employed, retired, unemployed, student or homemaker?

- Employed 1
- Retired 2
- Unemployed 3
- Student 4
- Homemaker 5
- DK/NA/REFUSED 6

That completes our survey. Thank you VERY MUCH for your time.

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Public Disclosure Commission

Mark McCrady

Responses to PDC complaint Case No. 13-022

February 12, 2013

Allegation #1

1. I asked Brian Skeahan to see if there was a volunteer or two who would be willing to have their picture taken in front of the new substation on 7th Ave. I thought if we did this off-the-clock and from the public right-of-way, that there would be no violation of campaign law. I did participate in the activities described in the email chain in that I had pictures taken at the substation.
2. I asked Mr. Skeahan to ask for a volunteer or two who worked on the substation project to meet me at the substation during their lunch hour so that we could take a few photos. A few days later, Tim Johnston called me at work and we made arrangements to meet at the substation gate. On that day, both Tim Johnston and Brian Miner showed up, as well as members of the line crew.
3. The photos were to have a two-fold use. It was a new substation and I was proud of the way the project had turned out. I wanted some pictures for myself. I also planned to use them in a campaign brochure if they turned out good.
4. I thought that the people would come up in their personal vehicles. That did not turn out to be the case as most, if not all, arrived in PUD vehicles.
5. None of the photos were ever used in my campaign. When my campaign manager looked at the pictures, she told me that they could not be used. Later, Paul Brachvogel confirmed her opinion so the photos were not used. The details that Mr. Brachvogel gives in his diary are not how I remember the events as I do not remember Brian being present when Mr. Brachvogel confirmed that the photos could not be used. I also am baffled by Mr. Brachvogel's comments about concern for retaliation as the Governance Policy of Cowlitz PUD clearly states, and state law confirms, that the General Counsel can only be terminated by a majority vote of the Board of Commissioners. I am also disappointed that there is no way to confirm the date that Mr. Brachvogel's diary entry was actually created as I never saw any of the documents until Mr. Ketcham filed this complaint with your office.

6. I asked Mr. Skeahan to ask if there was a volunteer or two to take a photo in front of the substation. I believe that it was Mr. Skeahan's understanding that the photos would be taken from the sidewalk and off-the-clock. However, that did not happen. The linemen who worked on the project also showed up and we ended up inside the gate. I lost control of the situation.
7. Brian Skeahan's only part in this event, as far as I understand it, was to ask Tim Johnston to call me to arrange to take a picture at the substation on his lunch hour. The word "volunteer" was used several times, as well as the phrase "off the clock". As you can see from the email thread, the situation took on a life of its own.

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Mark McCrady
Responses to PDC complaint Case No. 13-022
February 12, 2013

Allegation #2

1. I did not authorize, direct, or give tacit approval for Brian Skeahan to have a map prepared. I did not hear anything about any map until I read the complaint filed by Mr. Ketcham.
2. I have no knowledge of any conversations between Brian Skeahan and Tia Christina.
3. I have no knowledge of Mr. Skeahan's intention for the map but I do know very well that in the previous year, Cowlitz PUD had undergone a major effort to "Improve the Brand" of the utility. A new communications specialist was hired, a customer survey was done, and a plan was developed and in the process of being implemented for improved customer communication. Data, such as election results, contain valuable information on where your efforts are succeeding and where you have either have work to do or where the citizens are in disagreement with the general direction that the organization is going. I would also point out that all three commissioners supported this communication improvement initiative by supporting the budget that contained the funding for the project.
4. Mr. Skeahan and I had no plans for the map or any conversations about its use. My wife had made it clear to me on the Friday after the election that my days of being an elected official were over. I had no need of any post-election analysis as I had already run my last campaign. That point was made very clear to me by Mrs. McCrady.
5. As you can see by the dates on the emails, I had left office before the alleged map was completed. I have no idea how it was used, if at all.

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Public Disclosure Commission

February 20, 2013

Philip Stutzman
Director of Compliance
Public Disclosure Commission
711 Capitol Way RM 206
Olympia, WA 98504-0908

Thank you for providing me an opportunity to respond to the complaint that the PDC received from Commissioner Ketcham on January 18, 2013. Unfortunately, Commissioner Ketcham neither brought these issues to my attention nor provided me an opportunity to respond to them prior to my termination as general manager for the Cowlitz PUD. Therefore, I value the Commission's independent review of the facts.

Response to Allegation Number 1.

In the Spring of 2012, former Commissioner McCrady approached me regarding his interest in having a photograph taken of him taken for use in his upcoming re-election campaign. His initial interest was having a photo taken in the PUD's Dispatch Center. I expressed concerns regarding this, telling Commissioner McCrady that my understanding of the election laws was that he could only take a picture at a location that was accessible to the public—such as outside the front of the substation rather than inside where public access was restricted. Also, I told him that it was my understanding that this activity could not interfere with PUD business. Any participation by staff would have to be voluntary and not on company time. Commissioner McCrady asked me to let staff know he might be contacting them to arrange for the photo.

At some point shortly after my conversation with Commissioner McCrady, I spoke with Tim Johnston, the substation engineer, and gave him a "head's-up" that Commissioner McCrady might call about having his picture taken in front of the substation. I did not ask him to do anything further. This was a very brief discussion. As I recall I stood in his doorway, never getting completely in his office let alone sitting down. I did not personally specifically request or direct the involvement of any PUD employees, the use of PUD equipment, or vehicles to be involved with the photograph. I simply wanted to let Mr. Johnston know that one of the commissioners might be contacting him. This one brief discussion with Tim Johnston is the only one I recall having with him regarding this matter.

Based on my discussion with Commissioner McCrady, I was operating under the assumption that he understood the photo needed to be in a public area such as a street or sidewalk in front of a substation and the arrangements he would make with staff would be in accordance with that.

Several days after my conversation with Mr. Johnston, I had another brief discussion with Commissioner McCrady. My understanding from that discussion was that he had decided against having the photograph taken.

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I am fairly certain in my recollection that I did not know that any photograph was in fact taken until after I was terminated by the Commissioners and learned of Mr. Ketchum's complaint.. On or about January 16, 2013, Mr. McCrady informed me that a photograph had been taken but that it had not been used in the campaign. I am absolutely certain I did not see the photograph until you showed it to me in the PDC office earlier this month.

I have reviewed the emails regarding the photographs that you provided to me that were in the documents submitted by Commissioner Ketchum. I note that I was not included on any of the emails that arranged for the taking of the photograph. Other than my one brief conversation with Tim Johnston I played no part in the arrangements for the photo. Email number 3, dated May 23, 2012, from Mr. Johnston implies he was doing something that I asked him to do; however, I want to be clear that I did not specifically ask him to do anything. I simply informed him that Commissioner McCrady would be contacting him about a photo. Based on my discussion with Commissioner McCrady I was comfortable that the photo would be in compliance with Washington law. Had I been included in the email chain, I would likely have put a stop to this, as indicated by my discussion with Commissioner McCrady that a photo taken inside the dispatch center was likely inappropriate.

Mr. Brachvogel alleges that he made a note of a conversation a week before June 4, 2012 with Commissioner McCrady and me indicating he discussed the picture having been taken and he advised Commissioner McCrady that he should not use it for campaign purposes.¹ I do not recall the conversation and do not believe I was a part of it. It appears that I was not included as a recipient of the subsequent email to Commissioner McCrady mentioned in Mr. Brachvogel's note. The documents that you provided to me do not contain any email from Mr. Brachvogel to me on this subject.

It seems odd that he would have (1) requested copies of the pictures and the related emails, (2) held on to them for six months without informing me of their existence, (3) made contemporaneous notes and (4) failed to either recommend to me or the commission that the matter be investigated further. If Mr. Brachvogel is attempting to suggest that he did not take any further action because of "concerns of being retaliated against", such concerns were illusory. Although the general manager supervises the day to day work of the general counsel, by Board adopted policy the general manager can not dismiss the general counsel without the consent of the commissioners. As general counsel, Mr. Brachvogel had direct access to the commissioners. If he had these concerns he could and in fact was obligated to bring those to the commissioner's attention.

My understanding of the applicable law is that public agencies can make facilities available on a non-discriminatory, equal access basis for political activity. I believe that my instructions and advice to Commissioner McCrady, that he could only take a picture at a location accessible to the public and without the participation of any employees who were on paid time was consistent with the statute and regulations. Since my termination,

¹ Mr. Brachvogel's note does not identify who informed him that the picture was taken.

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one PUD operations department employee, Dylan Shulda, informed me that it was clearly stated that any participation in the photo was voluntary and that all the participants were to be on their lunch hour when the photograph was taken. The emails from Tim Johnston to Steve Brock appear to affirm this understanding.

Response to Allegation No. 2.

Commissioner Ketchum appears to allege that I instructed a staff member, Tia Christina, to prepare a "voter preference" map, which, on page 2 of the complaint form, the Commissioner erroneously speculates could only be used by for campaign purposes.. As will be discussed below, the Commissioner's speculation is incorrect.

In early 2012, the PUD conducted a customer survey. This was the third survey that was performed during my almost tenure with the PUD. The purpose of the survey was to ascertain citizen input on the issues that the PUD had been addressing including rates, salaries, resource acquisition and the PUD communication efforts. All three of the Commissioners were actively involved in the survey process and kept informed of its progress. I have attached minutes of the March 13, 2012 commission meeting where an update on the survey was provided.

One of the results of the survey was that customers who expressed greater dissatisfaction with the performance of the PUD tended to have higher electric bills, irrespective of household income or other considerations. Following the November, 2012 election, we wanted to see if there was a correlation between the locations in the District with high residential electric bills, (and, according to the survey results, higher rates of dissatisfaction) and the election results.

I asked Ms. Christina to prepare the map of the 2012 election results as a step in the process of creating an overlay with the other information identified above—the locations in the district where higher residential electric bills were and the locations of survey respondents with higher expressions of dissatisfaction with the utility's performance. (I was also interested in overlaying the 2010 election results but could not easily do so due to some changes in precincts boundaries presumably coming out of the 2010 county re-districting.) Doing this would to a certain degree test the survey conclusion correlating dissatisfaction and high bills..

The goal in assembling all of this information was to (1) improve communication and outreach efforts in those portions of the service area; and/or (2) identify whether enhanced efforts to notify residents in these areas of existing or new conservation programs might assist in improving their service experience, reducing their costs and increase their satisfaction with the PUD.

Thus, the data collected by Ms. Christina was to be part of an effort to improve service and outreach in areas where it might be concluded the District could do better. Obviously the map and associated data could not have been used to influence the 2012 election,

which already had occurred. Nor could it have any material relevance to an election in 2014, which was virtually two years away.

Although Ms. Christina had completed the map, it had not been used for specific any purpose because we had not completed the process of overlaying the data from the other sources described above. As of the time of my departure from the District, the project was incomplete.

Again, RCW 42.17.555 prohibits the use of public resources for assisting a campaign for election of a person or promotion of a ballot proposition. Neither of these purposes is implicated here. Similarly, there was no violation of RCW 54.16.100 because there was neither election activity nor any campaign contributions at issue.

I appreciate the opportunity to respond to these allegations and, after your review, would welcome the opportunity to answer any questions or discuss this matter further.

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572

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Public Disclosure Commission

PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON

MINUTES OF MEETING OF COMMISSIONERS

March 13, 2012

John Searing Auditorium

Present:

Commissioners:

Mark McCrady, President
Merritt "Buz" Ketcham, Vice President

Edward 'Ned' Piper, Secretary

Staff:

Brian Skeahan, General Manager
Don McMaster, Chief Operating Officer
Royce Hagelstein, Auditor
Diana MacDonald, Mgr. Environmental &
Regulatory Services
Chris Hill, Mgr. of Gov. Affairs & Energy Policy
Chris Marlowe, Operations Superintendent
Robbie Berg, Human Resources Manager

Sandra Willman Executive Assistant
Paul Brachvogel, General Counsel
Gary Huhta, Dir. of Power Management
Dave Andrew, Dir. of Customer Service
Doug Wood, Dir. of IS
Brent Arnold, Marketing Director
Jeff Sorensen, Operations Superintendent

Media:

Betty J. Wilson, KLTW

Public:

Chris Turner

Call to Order – Pursuant to published Notice, the Regular meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington was called to order at 2:00 p.m. by Commissioner McCrady.

Approval of the Minutes – The minutes of the regular Board meeting of February 28, 2012 were approved as published.

Approval of Vouchers of \$9,688,168.94 – The Commission reviewed vouchers audited and certified by Auditor Royce Hagelstein as required by RCW 42.24.080 and RCW 42.24.090 for which warrants were issued on March 13, 2012, under provisions of Resolution No. 1421. Motion was made by Commissioner Ketcham to approve the vouchers and seconded by Commissioner Piper. Motion carried. Warrants drawn to cover said vouchers are as follows:

<u>Fund</u>	<u>Warrant Nos.</u>	<u>Amount</u>
Accounts Payables	11293 – 11657	\$9,359,003.97
Payroll	3/02/2012	329,164.97

Introduction of New Employees – PC Support Technicians Jaime Cotter and Dale Scrimshire were introduced to the Commissioners.

Comments from the General Public for Non-Agenda Items – Customer Chris Turner, representing residents of the Laulainen Road area in Longview, commented that since there was no comprehensive plan or ordinances regarding towers placements in the County, they were asking that the District take consideration of the neighborhoods when leasing space out on District's properties for that purpose. Their main request was try to be a good neighbor. The Commissioners and staff understood their concerns. This will be discussed at next week's staff meeting.

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573

Presentations and Reports from Staff / Directors
(Informational, Non-Action)

Brian Skeahan, General Manager – Reported Strategies 360, a consulting firm specializing in public policy, had begun conducting a Cowlitz PUD customer survey. March 6 they started making 600 random calls to Cowlitz County residents. Then between March 13 and March 16 Strategies 360 will be interviewing approximately 25 Cowlitz County opinion leaders. In addition two focus groups will be conducted on Thursday, March 15. The results will take about a month.

Provided an update on the purchase and sales agreement of the 115 kV line between BPA's Longview Substation and the District's Washington Way Substation. The Commissioners had approved the purchase and sales agreement at the February 14, 2012 Commissioner meeting.

Chris Hill, Manager of Government Affairs & Energy Policy – Provided a legislative update of the bills that the District has been following.

Don McMaster, Chief Operating Officer – Provided a business update on the on-going job coverage of people due to the development and testing of the District's new Customer Services Information system, replacement of retirees and part-time employees.

He also reported employee Paul Wade has been improving every day from his accident. He visited the Operations Center yesterday.

Dave Andrew, Director of Customer Services – Presented the February Customer Services Board report. The pro-rate credits, as a result of the November 1, 2011 rate increase, will be all issued to 45,858 active electric customers accounts this week.

Ray Johnson, Director of Engineering – Presented the February Engineering and Operations Board reports.

Doug Wood, Director of Information Services – Presented the February Project FOCUS update. The new Customer Services Information System is scheduled to go live November 13, 2012.

Break: 3:50 p.m.

Reconvened: 4:00 p.m.

Agenda Action Items

Staff Recommendation No. 11/03/13 – Approve 2012-2015 Contract Roll-Over for IBEW Local 77

Human Resources Manager Robbie Berg informed the Commissioners a tentative Collective Bargaining Agreement between the District and IBEW Local No. 77 was approved by the IBEW membership on March 8, 2012. The following were the changes and wage adjustments to the existing Collective Bargaining Agreement:

- * A three-year agreement for January 1, 2012 – March 31, 2015.
- * Effective January 1, 2012 general wage increase of 1% plus three additional days of Paid Time Off for each member covered by the agreement.
- * Effective April 1, 2013 General Wage Increase of 1.75%.
- * Effective April 1, 2014 General Wage Increase of 2%.
- * Negotiated reorganization and reclassification changes in the Customer Services Department.

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574

Commissioner Ketcham asked the status of other utilities union contracts. Robbie reported Grays Harbor County PUD and Mason County PUD No. 3 had settled. He requested sometime this spring information of where our Journeyman rates stand with others. Commissioner Ketcham moved to accept the tentative Collective Bargaining Agreement between the IBEW Local No. 77 and the District and seconded by Commissioner Piper. Motion carried.

Staff Recommendation No. 12/03/13 – Extension of Vegetation Management Contract

Operations Superintendent Jeff Sorensen reported the District entered into a three year Vegetation Management Contract with Asplundh Tree Expert Company on April 6, 2009. The initial Contract provided the option to extend the Contract for one additional year. Based on Asplundh's performance, excellent service and competitive cost, it was recommended to extend the existing Contract No. UC1458. Commissioner Ketcham moved to authorize the extension of the Contract for one additional year and seconded by Commissioner Piper. Motion carried.

Board Reports and Discussions – Commissioner McCrady asked which Commissioners would be attending NWPPA Annual Conference and Membership meeting scheduled for May 13 – 17th and discussed who the primary voting delegate would be.

Commissioner Ketcham mentioned Cowlitz PUD was now 76 years old and questioned why there was not a celebration at 75 years. The first kilowatt was not until 1939.

Commissioner Piper mentioned Washington PUD Association (WPUDA) has eliminated the need for alternate East and West of WPUDA chairs.

Other Business – None

Comments:

From the General Manager – Reported Manager Judy Strayer of CDID #1 has been authorized by their Board of Supervisors to accept the District's offer regarding the Washington Way substation property at their next Board meeting.

From the Commissioners – None

From the Chief Operating Officer – None

Motion:

Motion was made by Commissioner Ketcham and seconded by Commissioner Piper that the meeting be recessed to Executive Session for the purpose of discussing potential litigation matters for a period not to exceed approximately 30 minutes duration. No action will be taken as a result of the Executive Session. Upon affirmative vote, the Board recessed to Executive Session at 4:30 p.m. In attendance were Commissioners McCrady, Ketcham, Piper, Brian Skeahan, Robbie Berg and Don McMaster.

Following Executive Session, the Regular Board meeting was reconvened at 5:05 p.m.

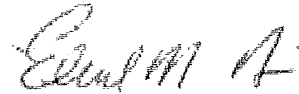
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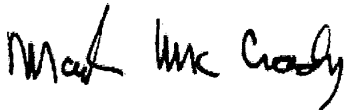
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Adjournment – The next regular Board meeting of the Commission would be held Tuesday, March 27, 2012 at 2:00 p.m. in the John Searing Auditorium. The meeting was adjourned at 5:13 p.m.

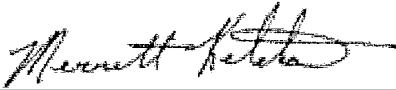


Secretary

Attest:



President



Vice President

Prepared by _____
Sandra Willman, Executive Assistant

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OCT - 7 2013

Public Disclosure Commission

909 Hillcrest Drive
Longview, WA 98632
October 4, 2013

Philip E. Stutzman
Washington Public Disclosure Commission
711 Capital Way, Rm. 206
Olympia, WA 98504-0908

Dear Phil,

Enclosed are my responses and supporting documentation to the five additional charged filed by Buz Ketcham and Cowlitz PUD. I understand your need to bring this issue to closure but you need to understand the issues I have had with getting the information needed to complete this task.

I sent a letter to Cowlitz PUD in March requesting the email between commissioners and staff between January 1, 2013 and March 18, 2013. The information was finally provided three months later, I have attached their response. I will tell you that not all the emails were released, even ones that were not on the redacted or exempt lists. As soon as my issues with the PDC are behind me, I will deal with that issue in Cowlitz County Superior Court. I have already retained legal counsel for that issue.

My plan was to use the same information that Mr. Skeahan had requested in answering these complaints. I thought that would be in everyone's best interest. Mr. Skeahan had no better luck than I did. I have also attached a letter from Cowlitz PUD stating that between a shortage of staff and a busy construction season, they were unable to meet the deadlines that they had set. I feel that these are not good reasons to violate RCW 42.56.520, the law that requires public agencies to respond promptly to information requests.

I have answered the complaints to the best of my ability with the information I was able to obtain. I appreciate the patience and kind words that you have extended to me during the passing of my father.

Mark McCrady



961 12th Avenue • PO Box 3007 • Longview, WA 98632

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OCT - 7 2013

Public Disclosure Commission

June 18, 2013

Mr. Mark McCrady
909 Hillcrest Drive
Longview, WA 98632

RE: Public Records Request 2013-016

Dear Mark,

Enclosed please find documents that are responsive to your request for "all emails exchanged between any two Cowlitz PUD commissioners or all three commissioners between January 1, 2013 and March 18, 2013" (Part 1), and "all emails sent by any Cowlitz PUD staff members to any two or all three Cowlitz PUD commissioners, January 1, 2013 to March 18, 2013" (Part 2).

Your request totaled 548 pages. Pursuant to Cowlitz PUD Public Records Act Policy (Policy CS-6) the charge of \$0.15 per page applies and totals \$82.20. Please remit that amount at your earliest convenience. Please send it to my attention to avoid any confusion.

If you should have any questions, please feel free to contact me at (360) 577-7554 or by email at spederson@cowlitzpud.org.

Best regards,

A handwritten signature in black ink, appearing to read "Stacie Pederson".

Stacie Pederson
Paralegal & Assistant Public Records Officer

Enclosures



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OCT - 7 2013

Public Disclosure Commission

August 23, 2013

Sent Via Email: pbskeahan@cni.net

Mr. Brian Skeahan

1427 Pries Court

Kelso, WA 98626

RE: Public Records Request 2013-029

Dear Brian,

I write to inform you that additional time is required to prepare the next installment of Public Records Request 2013-029 for the reasons that follow.

On August 15, I asked for clarification of the emails you requested- if you wanted emails with only the individuals listed in your request, or if you wished to receive emails that included those individuals *and* others that were not listed in your request. You responded the latter, which broadened rather than narrowed your request. So far, I've retrieved emails that are responsive to items 3 and 4 of your request, resulting in approximately 750 pages. Every email and attachment must be reviewed for legal exemptions, and redacted if necessary. Redactions and exempt documents must be logged with an explanation of the applicable exemption.

As you know, in addition to handling public records requests, I also manage the bidding of construction projects and contracting. This is a tremendously busy time of the year, with project managers scrambling to get their projects started before the rainy season is upon us.

Cowlitz PUD is currently very shorthanded on administrative help, which has also added to the delay in processing your request.

I will be out of the office next week, but when I return on September 3, responding to your request will be my top priority. I will have your next installment ready for release on or before September 20th.

You have requested the emails be provided to you in the original email format. This will be accomplished by copying the non-exempt, un-redacted email (.eml) files onto a CD. The files can be opened by Outlook, or Windows Live email. The Emails with redactions will be provided in a scanned and pdf format.

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OCT - 7 2013

Public Disclosure Commission

Best regards,



Stacie Pederson

Assistant Public Records Officer

cc: Jeffrey S. Myers, (outside counsel)

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OCT - 7 2013

Public Disclosure Commission

Response to allegation #1. Authorizing and/or using PUD facilities to prepare and/or use a campaign briefing document for an interview with the local newspaper editorial board that assisted Mr. McCrady's 2012 campaign.

This allegation is false for the following reasons. My request for the information surrounding the Renewable Energy Requirements, otherwise known as I-937, was a results of questions brought forward by concerned ratepayers, not as preparation for an editorial board meeting as Commissioner Ketcham contends. Here are the facts on this issue.

On September 12, 2012, Mr. Anagnostou and I participated in a television show called Local Matters that was carried by the local public access TV station. It was during this show that Mr. Anagnostou made the statement that Cowlitz PUD did not have to invest 160 million dollars in the wind farms in Eastern Washington like we did. It was his legal opinion, based on practicing law for 25 years, that all Cowlitz PUD had to do was invest 4% of their annual budget, around eight million dollars per year, in renewable energy. He derided these decisions, using inflammatory words like "mismanagement" and "speculation". I have provided a copy of the DVD from the show that provides proof of Mr. Anagnostou's statement; it was given during the opening statements of the show.

When the show aired, I began to receive phone calls from concerned ratepayers questioning me about Mr. Anagnostou's statement. I assured them that it was false and I contacted Brian Skeahan to share my concerns about the fact that Mr. Anagnostou's false statement was causing great concern amongst our ratepayers, especially senior citizens on fixed incomes. Mr. Skeahan directed me to the state website where the legal language is provided and I believe that he asked Gary Huhta to respond as well as I later received an email from Mr. Huhta. Commissioner Ketcham has provided you a copy of that email and I have attached the four page document that I downloaded from the state's website as part of the research I did, based on the questions that were generated as a result of the false statements that Mr. Anagnostou made on the TV show. The document that I downloaded is listed as Item 1. I also referenced this document in my email reply to Mr. Anagnostou. You were provided a copy of that email by Mr. Ketcham as well.

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OCT - 7 2013

Please understand that Mr. Anagnostou's statement on that TV show caused great concern amongst our ratepayers. I would also point out that at the time that the statement was made; Mr. Anagnostou had only attended three Cowlitz PUD meetings in his entire life. He had no idea what he was talking about but he knew that the ratepayers were frustrated because the Renewable Energy Standards law was causing an increase in local electrical rates. It is my opinion that Mr. Anagnostou knowingly made these false statements in order to tap into that frustration and curry favor with the voters.

Mr. Anagnostou called my house later in the campaign and I returned that call when I got home. As you can read in one of the emails, he asked for the information that I had provided to various people about why Cowlitz PUD could not take advantage of the 4% cost cap provisions. During this conversation, I told Mr. Anagnostou that I did not appreciate the false statements that he was making on this and other PUD issues. He told me that he felt that Paul Brachvogel, General Counsel for Cowlitz PUD, was stonewalling his FOIA requests and that he would continue his tactics until Mr. Brachvogel complied with all of his information requests. At this point, I got frustrated and my wife, who had been listening to the entire conversation, told me to hang up. The FOIA requests that Mr. Anagnostou referred to are provided to you in the response to allegation #4.

Your ruling on this allegation will establish the tone and tenor for public discourse in this state for years to come. Throughout my responses to these allegations, there will be a common theme. That point is that an elected official cannot stop doing his or her job just because he or she stands for election. My opinion is that I was elected, or hired if you will, to do a job. Part of that job is to make sure that the ratepayers of Cowlitz PUD are provided the facts about the utility that they own. If you rule that I have broken the law because I provided factual information to the ratepayers because of the concerns generated by politically motivated falsehoods spread by an opponent during the election process, then I believe that you will made a ruling that will severely damage the level of public discourse for years to come. A ruling against me on this issue will also make it even harder for elected officials and public servants to perform their duties.

OCT -7 2013

194-37-160

Public Disclosure Commission

Documentation of financial cost cap — current information and timeline.

By January 1 of the first target year that a utility fulfills its renewable energy requirements under RCW 19.285.050, the utility shall select one of the following methodologies for documenting the incremental cost of all eligible renewable resources acquired thereafter by that utility:

(1) Annual update methodology. In each year that a utility fulfills its renewable energy requirements by complying with the cost cap identified in RCW 19.285.050 it must document its calculations no later than January 1 of the target year. The utility will use the most current information available to the utility within twelve months prior to the initial documentation of the cost cap pursuant to WAC 194-37-170 through 194-37-190. The utility will update this documentation in its June 1 report submitted pursuant to RCW 19.285.070. These annual updates of costs, based on the most current information available, apply to both the eligible renewable resource and the substitute resource.

(2) Permanent one-time methodology. For each new investment in an eligible renewable resource, a utility shall perform a one-time calculation of the levelized incremental cost pursuant to WAC 194-37-170 through 194-37-190. The levelized incremental cost shall be a single annual value expressed in real, constant-year dollars. The levelized incremental cost for each eligible renewable resource project or purchase, calculated through this one-time analysis in the year of acquisition, shall be allowed to inflate utilizing the Producer Price Index over the life of the eligible renewable resource after the initial calculation. The utility will include a determination of incremental cost for each new investment in an eligible renewable resource and inflation-adjusted incremental costs for previous eligible renewable resource investments in its June 1 report submitted pursuant to RCW 19.285.070, beginning in the year the utility complies with the cost cap identified in RCW 19.285.050.

[Statutory Authority: RCW 19.285.080(2). 08-07-079, § 194-37-160, filed 3/18/08, effective 4/18/08.]

194-37-170**Documentation for financial path — levelization of costs.**

(1) Each utility must document its calculation of the levelized annual incremental cost of eligible renewable resources. Utilities are encouraged, but not obligated, to use the following methodology:

Step 1: Calculate the net present value of the cost of the utility's eligible renewable resource and substitute resource over an equivalent contract length or facility life.

Step 2: Calculate equal nominal values over the appropriate contract length or facility life that have a net present value equal to those calculated in Step 1, using the same discount rate.

Step 3: Calculate the annual difference between the levelized delivered cost for the eligible renewable resource and the substitute resource to determine the levelized incremental cost of the eligible renewable resource.

A utility that uses the annual update methodology must document the basis for any change to the levelization methodology used in a prior June 1 report to levelize the costs of an eligible renewable resource and its associated substitute resource.

(2) Regardless of the methodology chosen to levelize costs, utilities must document the basis for their chosen method for leveling costs.

(3) Utilities must document the basis for the discount rate used in its levelized cost calculations.

(4) Utilities must document how the discount rate used to perform the levelized cost calculations is consistent with the inflationary assumptions incorporated into the delivered cost projections for the eligible renewable resource and substitute resource.

(5) Utilities must document how the method and assumptions used to levelize delivered costs for the eligible renewable resource are consistent with those used to levelize the delivered cost of the associated substitute resource.

[Statutory Authority: RCW 19.285.080(2). 08-07-079, § 194-37-170, filed 3/18/08, effective 4/18/08.]

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194-37-180

Documentation of financial path — delivered cost.

(1) The delivered cost of a resource includes all direct and indirect costs associated with that resource being delivered to the distribution system of a utility over the contract length or facility life of the delivered resource. Direct and indirect costs may include operating and capital expenses related to the delivered resource.

(2) Using the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) as an illustration, the reported resource costs are expected to generally fall within, but not necessarily be limited to, the following cost accounts:

*Operating
Expenses*

Accounts 500-557:	Production Expense
Account 565:	Wholesale Wheeling Expense
Accounts 920-935:	Administrative and General Expense
Account 408.1:	Taxes Other than Federal Income Taxes

*Capital
Expenses*

Accounts 403-407:	Depreciation and Amortization Expense
Accounts 427-431:	Interest-Related Expenses

(3) A utility may include actual costs in order to equitably compare the costs of eligible renewable resources and substitute resources. This may include the actual costs of transmission, firming, shaping, integration, and project specific development costs.

(4) Utilities are encouraged to use the FERC system of accounts to document the delivered cost of resources. Regardless of the accounting convention used, utilities must document the delivered cost estimates for eligible renewable resources and their associated substitute resources in a manner consistent with generally accepted accounting standards.

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OCT -7 2013

[Statutory Authority: RCW 19.285.080(2). 08-07-079, § 194-37-180, filed 3/18/08, effective 4/18/08.]

Public Disclosure Commission

194-37-190

Documentation of financial path — substitute resource and resource equivalence.

(1) In support of its annual filings to the department under RCW 19.285.070, utilities must document the type, availability, and cost of the reasonably available substitute resource used to calculate the incremental cost of an eligible renewable resource.

(a) In documenting the incremental cost under RCW 19.285.050 (1)(b), a utility is encouraged to identify substitute resources using its integrated resource planning process, if one is available. If a utility elects to choose a substitute resource from a different source other than its most recently published integrated resource plan, it must document the basis for this decision. Documentation of the cost of a substitute resource may include, but is not limited to, formal offers for the sale of electricity, or published cost projections from reputable third-party sources.

(b) In its selection of a substitute resource, the utility shall develop documentation demonstrating that the substitute resource satisfies the requirements set forth in RCW 19.285.050. The requirements are:

(i) Equivalence between the eligible renewable resource and the substitute resource by demonstrating the equivalence in the amount of energy produced by each resource;

(ii) Equivalence between the eligible renewable resource and the substitute resource by demonstrating the same contract length or facility life of each resource;

(iii) The substitute resource is reasonably available to the utility; and

(iv) The substitute resource does not qualify as an eligible renewable resource.

(c) Only supply-side substitute resources shall be used by utilities in the calculation of the incremental cost of eligible renewable resources.

(d) When the renewable requirements under RCW 19.285.040(2) result in a utility having resources in excess of its load, the utility may use that excess resource as the substitute resource if the substitute resource requirements of (b) of this subsection are otherwise satisfied. The utility will document the resale revenues, net of transaction costs, received through the sale of excess resources or the purchase price for the sale of the excess facility sold as a result of the requirement to acquire eligible renewable resources. A utility that uses a value other than the documented resale revenue in the determination of the levelized delivered cost of the substitute resource, such as a forecast of projected market prices, must provide documentation to support this alternative approach.

(e) A utility may use foregone power purchases from BPA, plus any billing credit obtained for reducing its purchases from BPA, as the basis for the cost of the substitute resource if:

(i) The substitute resource requirements of (b) of this subsection are otherwise satisfied;

(ii) It is entitled under its BPA power sales contract to have the BPA meet its net power requirements for the expected life of an eligible renewable resource or eligible renewable resource purchase; and

(iii) As a result of meeting the renewable requirements under RCW 19.285.040(2), it foregoes part of its BPA

entitlement in order to obtain that eligible renewable resource.

(2) For an eligible renewable resource acquired prior to the passage of chapter 19.285 RCW, November 7, 2006, a utility must support the selection of the related substitute resource used in the determination of the incremental cost under RCW 19.285.050 with documentation that was available at the time of the utility's decision to acquire the eligible renewable resource. If no such documentation is available, the incremental cost of an eligible renewable resource acquired prior to the passage of chapter 19.285 RCW will be assumed equal to zero.

[Statutory Authority: RCW 19.285.080(2). 08-07-079, § 194-37-190, filed 3/18/08, effective 4/18/08.]

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OCT -7 2013

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Response to allegation #2. Authorizing and/or using PUD facilities to prepare speaking points that assisted Mr. McCrady's 2012 campaign.

This allegation came from Heather Allen's statement specifically related to the gathering of labor costs. Because this allegation is closely related to allegation #4, some of the response to this allegation will closely resemble the response to allegation #4. I have also added emails that show that my requests for additional data, whether it was labor or other expenses, were consistent from year to year. The emails also show that some of the requests were made at the board meeting with Commissioner Ketcham present and that the information was usually shared with all three commissioners. Examples of this are shown as items 7 and 8.

My position is that it is not illegal for an elected official to request the information needed to properly perform their duties. Cowlitz PUD had, in 2012, an annual budget of around 250 million dollars. This is the largest public sector budget in Cowlitz County. The election season also came at the same time that the annual budget for 2013 was being developed. I was not willing to stop doing what the ratepayers hired me to do because there was an election going on. The labor information that was requested in Ms. Allen's statement was needed to make educated decisions for the development of the 2013 budget. While labor is not as large of a cost to an electric utility as it is to general service government, it still amounted to 7% of our total budget. I took an oath of office that I would accept fiduciary responsibility for the organization. Comparing your labor costs both to other electric utilities in the region is not only good business, it is dictated by PUD Policy HR-3, otherwise known as the Compensation Policy. Please note that Commissioner Ketcham is signatory to this policy and voted in favor of it back in 2006. I have provided a copy for you as item 1.

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OCT -7 2013

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Requesting labor data at a deeper level started back in late 2011 when a false and misleading headline in the local paper started a firestorm with the ratepayers. That article is attached as item 2. After the article aired, the Board directed the General Manager to develop a response ad to run in the paper. That ad is attached as item 2. The idea was that the three commissioners would pay for the ad out of their own pocket. The paper refused to run the ad

Because of the damage done to the PUD's image with the ratepayers, we began comparing labor costs not only to other utilities, some of which were located in areas less affected by the recession, but also to the other large public agencies in Cowlitz County. Specifically, we did labor comparisons with the City of Longview and Cowlitz County. This information was not a secret and was shared with my fellow commissions as shown on the 7-16-12 email from Brian Skeahan that was sent to all three commissioners. It is listed as item 4.

It is also important to note that a PUD commissioner's responsibilities under RCW sec. 54 are somewhat different than most other elected officials. The duties of a PUD commissioner more closely resemble those of someone who serves on a board of directors for a corporation. I took the duties seriously and wanted to make sure that the decisions that I made were based on a full consideration of all information. As you can read in the email from Brian Skeahan sent to the board on 9-22-12, there was also discussion of further staff reduction for the 2013 budget. I needed as much information as I could get to make sure that the organization could sustain essential services with reduced staff. I have provided this email as item 5, please note that it was sent to all three commissioners.

The other reason for getting this level of data dealt with the difficulty of getting Commissioner Ketcham to see the need to reduce the sizes of raises given to the non-union employees during the recession. I have enclosed the minutes of the staff meeting of April 14, 2009 staff meeting where Brian Skeahan briefs the staff on the fact that due to the recession, Commissioner Piper and myself wanted to do a one-year suspension of the salary policy while Commissioner Ketcham wanted to hand out the full raises in the worst recession since the 1930's. These minutes are provided as item 6.

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OCT -7 2013

Public Disclosure Commission

We got to the point where salaries got to be such a sticking point during the budget discussions that I felt that I needed as much ammunition as possible to make my point. I would also point out that the disregard we as a board showed in the raises we awarded for 2009 led to an unsuccessful recall attempt against Commissioners Piper and Ketcham. This greatly damaged the image of the utility and I did not want to have a repeat of that.

Ms. Allen also makes the comment that some of the data was to be used by me as speaking points when addressing the public. That is a true statement. Cowlitz PUD had begun a series of town hall meetings where we went to every community in the county and met with the ratepayers at local schools and halls. I was the board president at that time and I wanted to be prepared to speak to the issues of salaries. Because of some misleading headlines in the local newspaper, and the fact that PUD employees are some of the highest paid public workers in the county, the subject of wages was going to come up. I wanted to be able to provide a truthful reply of the measures that we had made to control those costs and to back my statements up with facts. I still believe that is one of the primary jobs of an elected official.

ALL INFORMATION 2

ITEM 1

**PUBLIC UTILITY DISTRICT NO. 1 OF
COWLITZ COUNTY, WASHINGTON**

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No.: HR -3
Issued: 12/13/05
Effective: 12/13/05
Revised: 3/28/06
Page: 1 of 7

OCT -7 2013

Public Disclosure Commission

**Subject: COMPENSATION POLICY FOR EMPLOYEES NOT COVERED BY A
COLLECTIVE BARGAINING AGREEMENT**

I. Objectives:

- A. The purpose of this Policy is to provide guidance and criteria for determining Public Utility District No. 1 of Cowlitz County, Washington (Cowlitz PUD/the District) employees' levels of compensation. The provisions of the Policy shall apply to the discussions and establishment of salary guidelines for employees who are not covered by a Collective Bargaining Agreement, including the General Manager and excluding elected officials.
- B. Cowlitz PUD subscribes to the philosophy that compensation for its employees shall reflect the comparable market value for individual positions and employers. The District also believes that compensation levels will also provide incentives for, and be a reflection of, the performance of the individual employee, employee work groups, departments, and the District.
- C. The District believes that salaries must be adequate to attract and retain qualified personnel.
- D. The object of this Policy is to assure both management and employees that performance will be appraised systematically and fairly; that employees will be provided with advice and training to assist them in meeting performance standards; and, that employees and managers will be encouraged to prepare themselves for positions of greater responsibility.

II. Salary Plan:

The Commission of the District establishes the following Salary Plan with its appropriate conditions in order that compensation objectives may be achieved for all employees who are not covered by the Collective Bargaining Agreement:

- A. An appropriate salary range with minimum and maximum rates for each position, such that:
 - 1. The midpoint of the salary range compares with the midpoint of salaries paid for similar positions for those utilities listed in "Schedule A" and

OCT -7 2013

Public Disclosure Commission

taking in consideration other employers in the local area in which the District operates or within which it recruits its personnel. In the event a

comparable employer does not have a system containing a range of salaries, the midpoint should be compared to the actual salary paid.

2. Provides an appropriate training period and salary progression from the minimum to the midpoint.
 3. Provides incentives from the midpoint to the maximum.
- B. A uniform plan and method is created for determining the salary each individual should be paid for his or her performance.
- C. Standards of performance will be set following a plan of "Performance Planning and Evaluation," and shall be based on merit resulting from said employee evaluation at least annually.
- D. Performance reviews are used for a variety of purposes, including determining eligibility for continuing employment, a promotion, or a merit wage increase. All performance reviews will be in writing and employees will have the opportunity to discuss the review and add appropriate comments. Employees must sign the evaluation form to acknowledge receipt.
- E. The Policy establishes effective salary administration, permitting proper budgeting of payroll expenses, and at the same time providing fairness and equity in compensation levels.

III. Compensation Guidelines:

The following shall be considered by the Commission for determining compensation levels:

- A. Salary Comparisons:
1. A comparison shall be made of compensation provided for comparable positions by the employers listed in "Schedule A."
 2. Reasonable effort shall be made to compare salaries for positions having similar job duties, skills, working conditions and qualifications.
 3. The employee's longevity in the same or similar job classification, either with the District or with another employer.
 4. The study will identify beginning, midpoint and maximum salaries, and actual salaries for current employees of the comparison group.

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OCT -7 2013

Cowlitz County PUD
Policy No. HR-3
Page 3 of 8

Public Disclosure Commission

5. The study shall also identify characteristics of the benefit package offered by the comparison group.

B. Existing District Employee Salary Ranges and Benefits:

Consideration will be given to employee's current salary and placement within the range. Consideration will also be given to negotiated adjustments for District employees covered by a Collective Bargaining Agreement.

C. Cost-of-Living:

The District shall consider the annual percentage changes in the Seattle Consumer Price Index, but makes no commitment to make adjustments accordingly.

D. Comparison Employers:

1. The District has a long-term goal to provide base pay salary ranges for positions that are within plus or minus ten percent (10%) of the mean average of the salary ranges being paid by the comparison group of employers listed in "Schedule A. "
2. Incentive or performance payments paid to District employees or employees of the comparison employers shall not be included for comparison purposes.
3. The long-term goal of plus or minus ten percent (10%) is not to be considered an obligation of the District. Considerations such as the comparable benefit packages, local economic conditions, the financial position of the District and other factors as shall be determined and stated by the District may result in short-term deviations between compensation offered and the guidelines provided for in this section.

IV. Merit Increases:

- A. Merit increases are not automatic or compulsory in any way but shall be awarded only if, in the opinion of the General Manager, they are warranted by an employee's performance. The General Manager shall be authorized to implement merit increases based upon individual performance evaluation. No more than one merit increase may be granted per employee each calendar year. Merit increases, when combined with the employee's base salary, shall not exceed the maximum level of the appropriate salary grade.

V. Reclassification:

- A. Based upon change in duties and responsibilities, individual job positions may be reclassified from one salary grade to another salary grade within any calendar

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OCT -7 2013

year period, and subject to the salary grade maximum, the General Manager shall be authorized to change the individual's salary level accordingly. ^{Public Disclosure Commission}

VI. Retention and Recruitment:

- A. The General Manager may also grant salary adjustments within grade or adjustments to grade for employee retention and recruitment purposes.

VII. Fringe Benefits:

- A. It is the intent that employees of the District who are not covered by a Collective Bargaining Agreement be granted employee benefits equivalent or greater to those covered by the Collective Bargaining Agreement. Such benefits include but are not limited to:

- | | |
|------------------------|---------------------|
| 1. Vacation Accruals | 5. Dental Insurance |
| 2. Sick Leave Accruals | 6. Vision Insurance |
| 3. Personal Leave | 7. Life Insurance |
| 4. Medical Insurance | 8. Holidays |

- B. It is recognized that on occasion some benefits not listed above are provided under the terms of the Collective Bargaining Agreement in order to conform to particular circumstances of employees covered by a Collective Bargaining Agreement. When in the judgment of the General Manager such benefits are not appropriate to Cowlitz PUD's Administrative or Staff employees or in the best interest of the operation of the District, said benefits may be withheld, providing, however, that the value of such omitted benefits may be considered in determining salary increases or other benefits for said employee.

VIII. Process for Determination:

- A. Role of the Human Resources Manager and the General Manager:
1. The Commission shall designate the Human Resources Manager as the person responsible for collecting salary comparison data and to gather any information necessary to implement a Salary Plan.
 2. Upon completion of the research, the Human Resources Manager shall submit to the General Manager and, subsequently, the Commission recommendations regarding:
 - a. General, across-the-board salary adjustments in the employee compensation package for the entire evaluation period.
 - b. Adjustments in grade for specific job classifications.

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OCT -7 2013

Cowlitz County PUD
Policy No. HR-3
Page 5 of 8

Public Disclosure Commission

3. The Human Resources Manager shall present documentation, which shall include:
 - a. Employee's compensation requests.
 - b. Any evidence provided by the employees supporting the requests.
 - c. The results of the compensation survey.
 - d. Change in the cost-of-living.
 - e. Current employee compensation.
 - f. Adjustment last provided to Collective Bargaining Unit employees.
 - g. Any other information that is reflective of the discussions.

B. Role of the Commission:

1. The Commission shall establish the list of comparison employers found in "Schedule A." The Commission shall also establish the salary goal and range parameters contained in this Policy. Both of these may be changed by a vote of the Commission.
2. The Commission shall review the recommendation of the Human Resources Manager. Based on the information provided in the recommendation, the Commission may elect to:
 - a. Approve the recommendation of the Human Resources Manager.
 - b. Return the recommendation for modification.
 - c. Request additional information.
 - d. Reject the recommendation
3. If the recommendation is rejected, the Commission must submit an alternative proposal.
4. The Commission shall conduct performance evaluations for the position of General Manager and make salary recommendations using the same criteria and processes established for all employees covered by this policy.
5. The Commission, by majority vote, has final authority to establish employee compensation levels.

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OCT -7 2013

IX. Term of Agreement:

Public Disclosure Commission

- A. The Salary Plan shall be reviewed and updated at least every three (3) years. The salary evaluation process shall commence October 1st of the year selected for review, with the intent of reaching conclusion by December 31st of the same year.
- B. Preference is to conduct the salary evaluation process in odd numbered years, beginning in 2005.
- C. Compensation levels established by the Commission subsequent to the discussion process shall remain in effect for a period not-to-exceed three (3) years.
- D. This section does not preclude the Commission from adopting a compensation plan containing annual adjustments. However, the provisions for any odd year adjustment must have been contained and specified in the compensation plan approved by the Commission.

X. Responsibility:

- A. The Commission shall be responsible for any change or revision of this Policy.
- B. The Human Resources Manager will be responsible for the administration of this Policy and for making recommendations on necessary or required changes.

XI. Supersedure:

This Policy supersedes any previous Policy, resolution or District action that is contrary to or otherwise conflicts with the provisions of this Policy.

Adopted this _____ day of _____, 2006 by the Board of Commissioners of Public Utility District No. 1 of Cowlitz County, Washington.

John M. Searing, President

Merritt H. Ketcham, Vice President

Edward M. Piper, Secretary

Cowlitz County PUD
Policy No. HR-3
Page 7 of 8

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OCT -7 2013

Public Disclosure Commission

Attachment: Schedule A

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OCT -7 2013

SCHEDULE A

Public Disclosure Commission

Group of Comparison Employers

Utility	Number of Customers
1. Grant County PUD	41,106
2. Flathead Electric	57,992
3. Central Lincoln PUD	36,215
4. Eugene Water & Electric Board	82,294
5. Clallam County PUD	31,717
6. Springfield Utility Board	30,413
7. Benton County PUD	44,262
8. Clark County PUD	169,000
9. Grays Harbor County PUD	36,296
10. Inland Power and Light	33,600
11. Lewis County PUD	28,582
12. Mason County 3 PUD	29,818
13. Franklin County PUD	21,625

ACCEPTED 42 ITEM 2

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OCT - 7 2013

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AREA NEWS

CITY EDITOR: ANDRE STEPANKOWSKI
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tdn.com/news/local

WEDNESDAY, DECEMBER 14, 2011 | Section B

SUBMIT STORY IDEAS:
frontdoor@tdn.com

PUD approves 180% rate hike, executive raises

But salaries, already a small fraction of PUD expenses, will decrease in 2012

By Erik Olson
eolson@tdn.com

Cowlitz PUD commissioners approved a \$244 million budget for 2012, which includes an 18 percent rate increase that went into effect Nov. 1 and modest salary increases for top executives.

Facing big increases in power costs and a loss of wind-power sales to offset rate increase, commissioners said they did the best they could to protect the

Top Cowlitz PUD salaries

Position	Employee	Jan. 1, '11	Jan. 1, '12	% Inc.
General manager	Brian Skeahan	\$172,404	\$177,058	2.7
General counsel	Paul Brachvogel	\$157,488	\$160,168	1.7
Chief Operating Officer	Don McMaster	\$152,604	\$155,043	1.6
Director of Power Mgmt.	Gary Huhta	\$130,860	\$135,566	3.6
Director of Operations	Rick Syring	\$127,464	\$130,655	2.5
Chief Financial Officer	Trent Martin*	N/A	\$130,645	0
Auditor	Royce Hagelstein	\$120,072	\$122,477	2
Director of Customer Service	Dave Andrew	\$115,440	\$117,520	1.8
Operations Superintendent	Tim Fromm	\$115,440	\$117,287	1.6
Environmental Services Mgr.	Diana MacDonald	\$114,552	\$116,151	1.4

*Hired in June 2011

Note: Salary increases took effect March 1 this year.

utility's core business.

"We did everything we could to hold the line on the operating expenses without sacrificing em-

ployee safety and system reliability," Commissioner Mark McGrady said.

About \$192 million of the

budget goes to buying power, by far the utility's highest cost. The PUD is planning to absorb a 7.8 percent wholesale rate in-

crease from the Bonneville Power Administration that took effect Oct. 1 and added about \$4 million in costs.

Also, Grant PUD in Central Washington, which supplied Cowlitz's cheapest power, is no longer selling excess energies, which added \$3 million in costs for Cowlitz to replace the lost energy.

The PUD is also planning for a \$9 million drop in wind sales from its two wind farm in Central Washington, which had been used to offset rate increases in the past.

"These are tough times. I get that. But I think we're (making)

decisions that are (for) the best long-term stability for the utility," McGrady said.

The utility plans to cut \$4.77 million in spending on capital projects, mostly by deferring maintenance on substations and other equipment.

Labor costs are expected to drop by nearly \$578,000 or 3.24 percent next year, but utility officials expect to lose less than one full-time position and employ 162 workers. The savings are a result of replacing retirees with less senior employees, reducing overtime and cutting back on outside consultants, utility officials said.

Labor represents less than 7 percent of the PUD's total budget.

Cheering up Castle Rock

Longview man shoots own foot

A Longview man who accidentally shot himself in the foot with a shotgun Monday may face criminal

Daily News Readers Deserve Better

OCT -7 2013

A headline on page A-3 of The Daily News last Wednesday proclaimed Cowlitz PUD commissioners spent their last meeting approving a rate increase and discussing salary increases for "executives."

In fact, neither of those items noted in the headline or the lead paragraph of the story were discussed or even part of the agenda at the board meeting on December 13. No one at the PUD, or others who attended the meeting, have any idea why The Daily News would write such a headline.

A rate increase was approved nearly two months ago. The headline earlier this week left the impression there is another rate increase on the way. And that is not the case.

As for "executive" salaries, PUD commissioners did not discuss or take action on wages for any PUD employees earlier this week. That action has been deferred until later this year. The wages listed in the newspaper have been at those levels since last March.

Since we believe readers of The Daily News expect to read accurate headlines attached to stories that include all the pertinent facts, we will take this opportunity to recap the PUD Board's 2012 budget discussion, only part of which was reported in Wednesday's article:

FACT: The 2012 PUD budget reduces total labor and budget costs by 3.24 percent.

This is the third consecutive year of flat labor and benefit costs. While The Daily News article reported that our FTE count will drop by one employee in 2012, it chose not to report that in three years we have reduced the number of employees by nine since 2009.

FACT: Operating and maintenance (O&M) costs are reduced by over \$500,000 from 2011.

That represents a five percent cut of the O&M costs we have control of (thus excluding power supply, taxes and voter-approved mandatory conservation costs).

FACT: Capital improvement costs have been significantly reduced over the past three years.

That part of the PUD's budget was reduced \$8.7 million or 28 percent from 2011. Capital costs have been reduced over \$27 million from 2010 and are down 58 percent from the 2008-2011 average.

The 2012 PUD budget was completed after weeks of hard work and every effort was made to make cuts where possible.

No one at Cowlitz PUD is happy that rates had to increase in 2011, to meet growing wholesale power costs and lower surplus power revenues. At the same time, we believe strongly in the work we are putting into building and maintaining a strong electrical infrastructure in Cowlitz County.

We pledge to continue to provide a safe and reliable source of electricity at the lowest possible price. Even after the recent increase in rates, Cowlitz PUD residential electric costs remain the 7th lowest among 21 PUDs in Washington. Thank you for being our customer.

Mark McCrady
PUD Commissioner

Buz Ketcham
PUD Commissioner

Ned Piper
PUD Commissioner

This ad was paid for by PUD employees and commissioners who think you deserve to hear the entire story.

Subject: FW: budget reduction comparisons local.xls
From: McCrady, Mark A (mamccrady@longfibre.com)
To: mamccrady2005@yahoo.com;
Date: Tuesday, July 16, 2013 10:02 AM

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ALLEGATION 2 ITEM 4

From: Brian Skeahan
Sent: Sunday, September 09, 2012 5:51 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Subject: budget reduction comparisons local.xls

Per earlier email, I added columns in the spreadsheet to show 2010 – 12 reductions. If you exclude Grant and BPA we are by far the biggest budget cutters in terms of total budget. Not even close. In fairness we have something of an advantage in having a much bigger capital budget to work with.

Notes:

DELEGATION 2 ITEM 5

McCrady, Mark A

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From: Brian Skeahan

Sent: Saturday, September 22, 2012 4:42 PM

To: Mark McCrady; Buz Ketcham; Ned Piper

I have been looking at some financial ratio comparisons on and off over the past couple of weeks as we have moved into the budget process. I have looked both at APPA data (utilities with 20-50K customers and 50-100k customers which corrects some for sales and revenues give we are high on those given our customer count), APPA data from the western US, and WPUA data for utilities with similar customer counts.

When I talk about such comparisons I always have to remind myself and my elected's that you can't just grab one number or one year's data and make any definitive conclusion. So for that reason I have cast a pretty broad net of comparisons averaged across three years.

Bottom line is no matter what I look at our operating costs our high. As you might expect, the answer of how high is somewhat contingent upon the compared to what /who factor. The range seems to be from half to three million dollars. I would note that I obviously don't have comparison data for 2012 yet so to the extent we had changes / reductions in 2012 that differed from those in the comparison group then this would change the conclusion slightly. Obviously that is a big range, and I am guessing the realistic / appropriate number to be +/- \$1-1.5M or so.

That said, this is not a surprise to me. In 2006,7,8 we ramped up for a pretty aggressive capital budget. We have also added staff and costs associated with the Cayenta project. Obviously the Cayenta project will be complete in 2013. I think we will walk out of the capital plan workshop with a capital budget comparable to what we have had for the past couple of years and that looking forward we will see that amount as a new normal. I don't see a lot of customer driven work on the horizon. Those affect engineering and operations.

One of the things that is a bit frustrating in looking at these numbers is that it is a bit tough to know precisely where in the organization we seem to be on the high side. Our numbers in A&G have been consistently high in comparisons. I have previously talked to Royce about it but those conversations did not get me much. With Trent coming on board I have asked the question again and he believes that we may, relative to others use A&G as something of a "dumping ground". We toss costs in there that others may allocate differently. We also don't appear to allocate some data processing costs to areas other than A&G as others seem to. That said, we don't have enough comparative information to draw any conclusions on such matters.

So the bottom line is we appear to be high, we are less sure where. Don and I have always felt we are long in the customer service area (another Worthington legacy) and that with a new system and some revised work practices some reductions were possible there.

In response to this I am looking at doing a couple of things. The first would be to include in the 2013 budget funds for an early separation program. I have asked Robbie to investigate this, particularly looking at what EWEB recently did. The short version is that we think such an offer would cost in the ballpark of \$750K and result in a reduction in labor and benefit costs of about \$1M. So it would pay for itself in less than a year. I think such an approach is consistent with your values / perspectives of trying to reduce involuntary layoffs. My early guess is that we would probably accelerate some planned retirements by a couple / few years.

My current thinking would be to open the window for this around mid year. That would help us better understand where we are at for 2014 in terms of staffing levels and costs based on who did and did not accept the offer. Having six months of Cayenta under our belt will help us better understanding of the impacts the new system will have on staffing.

All of this basically uses 2013 as a year to move toward what the proverbial right size of the organization should be in 2014. The early out offer gets our body count headed the right direction in 2013, and the time and experience gained in 2013 will give us a more solid understanding of what the size of the organization should be and what the org chart will look like.

I would note, and caution that this is not entirely labor cost / body count exercise. There will be other O&M costs examined as well.

I wanted to give you an early heads up on my thinking as we go into budget. I would be happy to talk to you individually in greater detail if you so desire as well as hear any thoughts you may have based upon that information.

Thanks

Brian Skeahan
General Manager
Cowlitz PUD

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DECLARATION 2 ITEM 6

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STAFF MEETING NOTES
April 7, 2009
9:00 a.m. – Board Room

OCT - 7 2013

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Present:

Brian Skeahan, General Manager
Don McMaster, Chief Operating Officer
Monte Roden, Director of Operations
Sandy Willman, Executive Assistant
Doug Wood, Director of IS
Steve Lafady, Human Resources Mgr.
Royce Hagelstein, Dir. of Finance & Acctg.
Steve Brock, Operations Superintendent

Paul Brachvogel, General Counsel
Dave Andrew, Mgr. Comm., & Govt. Affairs
Tom Loback, Interim Custr. Service Director
Pat Lloyd, Auditor
Rick Syring, Director of Engineering
Gary Huhta, Director of Power Management
Diana MacDonald, Mgr. Environmental & Regulatory Services

April 14, 2009 Board Meeting Agenda Items

Non-Action Items:

Introduction of new employees:

- Introduction by Doug Wood
 - Beri Jenkins, Office Automation Team Leader
 - Starla Moran-Risley, PC Support Intern Technician
- Introduction by Tom Loback
 - Paul Olden, Meter Reader Service Rep.

Guest:

- Jim Oakley of Energy Northwest

Directors/Staff Reports:

- Tom Loback
- Monte Roden and Rick Syring
- Don McMaster
- Doug Wood
- Dave Andrew – Legislative Update

Action Items:

- Transfer of Accounts to Reserve for Bad Debts – Pat
- Recommendation to purchase three Terex man-lifts – Steve Brock
- Travel Authorization for Commissioner Piper to attend NWPPA Annual Conference May 17 – 19, 2009 in Boise, Idaho
- Resolution temporary suspending the Salary Policy HR-3 for one year - Brian

Future Board Meeting Action Items/Reports:

- Bid award 2009 Plowing contract No. UC1461 – Jeff Moses (April 28)
- CEDC update and new contract – Brian (April ?)
- Amendment to Swift License Settlement Agreement – Diana (May 12)
- PURPA Hearings – Brian & Paul (May 26)
- Bid proposal for Dry Creek Culvert Removal – Gary (May ?)

- Residential Electrical Service Connection Charges – Rick (?) Brian asked Rick if still is being considering, nothing definite was mentioned.
- Bid award LEED Silver Building – Steve Brock (?) Steve Brock reported that the yard expansion bid date per the architect is tentatively June 23. It will most likely be bid with the LEED building.
- Germany Solar Presentation Brown Bag Luncheon – Brian (tbd)
- Quarterly reports from other employees
 - Dave legislative updates every Board meeting through April
- Employees' Luncheon with Board, Brian and Don – Scheduled the second Board meeting of each month; Next luncheon April 28

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Staff Reports

OCT -7 2013

Brian Skeahan

- Decision on merit raises / Temporary suspending salary policy – Brian discussed individually with the Commissioners foregoing merit raises of 2009 for the top 13 staff employees. Buz didn't want to waive the merit raises. Ned agreed to waive the raises for one year however with reluctance. Mark asked a lot of questions, was reluctant and from his perspective this is a one time only action. Brian mentioned this is a one year deviation from the salary policy and no one should take a hit on their retirement. A resolution will be drafted by Paul to waive the salary policy for one year only for the top 13 paid staff with a clause to be included regarding that it is not the intent of the Resolution to adversely impact the retirement benefits of any of the 13 staff listed. Dave is to decide how to get mileage from it and to share it with the public.
- Salary policy changes – Steve stated if you compare it to the Bargaining unit without some escalate it is similar. First it is a less bump on the front end and second it changes the rating in the fourth quartile. Monte said he expects a '3' from his employees. The Board has a problem with someone getting a merit raise who received a rating of '4.' Don asked if we could review job status yearly instead of every two years if someone has been asked to do more. Brian struggles with that. If we did the Policy would break down. However, on occasion it could arise.
- Budget discussion – Per Royce February financials has been completed. Brian and Don will look at the figures and bring it back to the next staff meeting for discussion. Royce said the Budget is on the shared drive.

Steve Brock

- Purchasing procedure for three Terex service truck man-lifts – A handout was given. Included in the budget was replacement of two Line Department man-lifts and one new additional man-lift for the Substation Department. After studying the different options it was determined that purchasing smaller man-lifts would be a better option for the service crews. Several Operation employees visited Clark PUD to evaluate their Terex man-lifts. They concluded that those trucks would serve our needs well. Per RCS 39.34 we may piggy-back Clark Public Utilities by mutual agreement to purchase the same equipment at the prices quoted under the same contract terms and conditions.
- Prius, all electric vehicle – Currently there are no vehicle manufactured plug-in hybrids on the market. Our existing Prius could be converted into an all electric vehicle for approximately \$10,000 and would be part of "Building the Brand." Brian requested data to be collected for Dave to use it for a story. Steve Lafady thought the all electric Prius was coming out in 2010. If so, Brian said it would be good to compare Prius Hybrid to

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Prius all electric vehicle. Steve Brock will further investigate. If we could purchase one in six months, Brian would be interested. Public Disclosure Commission

Don McMaster

- RFP for PCI and Network Security Consultants – Reported the results are back.
- Communications between departments / Power Resource BPA & Weyco matter (Don & Pat item) – Everyone needs to communicate and share significant information better via email. Discussion of the BPA / Weyco matter took place.
- Status of near term Project Focus travel needs – Don's perspective is yes the trips are needed however not the full core team.
- Verizon Lease Agreement for Columbia Heights – Reported it has been moving forward.
- Vivid Learning System – Log on instructions were given.

Steve Lafady

- Labor negotiations – Two more meetings have been scheduled.
- Meeting rules – Doug gave this assignment to Phil, due to Phil's complaint that some meetings had not been organized efficiently. Discussion took place, however no definite outcome.
- Office 2007 training – A handout was given. He feels employees are signed up to take these classes that perhaps are not appropriate. These classes are strictly transitioning classes only. Steve will talk to employees individually for clarification.
- Employment activity – A handout was given on employment activity from December 1, 2008 to April 7, 2009.

Gary Huhta

- WSPP (Western System Power Pool) – Considering membership. There is no annual membership fee. It would help support certain actions and gets us ready for Slice. No action is required by the Board.
- Approval of Slice Agreements – PPC stepped up to be the agent to formalize the agreement and to work together. No action is required by the Board.

Diana MacDonald

- Environmental Sustainability Policy – A committee has been formed. Posters for employees' suggestions for each department will be posted.

Pat Lloyd

- Cameron Glass – Reported they have been in arrears since January. Asked that our main accounts be reviewed frequently. Brian recently spoke with Frank and Gary has recently met with Cameron Glass. They are in a very rough financial way. They have offered \$150,000 when production begins. Gary feels we need to honor the payment arrangement. Brian is willing to work with them with some amount of risk. They are working on their finances and start up date.
- Equa-chlor (This surfaced from the above discussion) – Reported they are out of bankruptcy. Beginning in June we should be able to lock into a 12-month agreement.
- Purchasing from other governments and on other government contracts – This is another option to consider for purchases.

Doug Wood

- IS Department update – Project Focus update was given. Reported he is working on IT policies.

- Responding to alarms and conduct of fire drills – Will have Safety Committee address it.

Royce Hagelstein

- Accounting Department update – The new Risk Manager begins employment on Monday, April 13.

Dave Andrew

- Legislative update – Amendment to I-937 that we strongly supported has died. I-937 is back to its original form.

Parking Lot:

- Alternate work schedules (flex time) – Steve
- Employee recognition – Steve
- Reverse 911
- Vehicle Maintenance Interlocal Agreement with the City of Longview – Don & Monte

The meeting was adjourned 12:20 p.m.

Submitted by Sandy

Attachment

cc: BLS; DRM; PB; PJL; MR; MRS; GAH; DGA; SAL; DMM; SCW, FRH; DW, TL

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McCrady, Mark A

ALLEGATION 2 ITEM 7

To: mamccrady2005@yahoo.com
Subject: FW: Need some information for Mark McCrady
Attachments: AF-1.Financial Policy.11-22-05.pdf

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From: Royce Hagelstein
Sent: Tuesday, October 25, 2011 8:29 AM
To: Mark McCrady
Cc: Brian Skeahan; Sandy Willman; Trent Martin; Paul Brachvogel
Subject: RE: Need some information for Mark McCrady

Public Disclosure Commission

Hi Mark;

Attached is the financial policy that addresses each of the items below. I will also offer a quick overview:

1. Operating reserves – the policy suggests 60 days for O & M and Power Costs (or \$30 million in 2005) as an appropriate level. Since late 2006 when we purchased the prepaid White Creek power, we have been out of compliance. We were slowly gaining then we expended a large amount of cash on Harvest Wind. We are probably in the area of \$12 million, including the \$7.7 million in rate stabilization. This number will increase when we reimburse operating reserves with monies from our bond accounts. The issue there has been the closing of work orders.
2. Rate Stabilization Reserves (Fund) – Currently has \$7.7 million in it – probably sufficient with Fibre and Weyco taking an unmanaged Slice product.
3. Debt Service Coverage (DSC) Ratio – this has been the focus of late. The policy says it is not to fall below 1.5 for distribution system, 1.0 for production system and 1.25 overall. Production system is well above 1.0 and we are targeting 1.35 for distribution system. The formula for this is below and simply calculates the amount of cash generated by the organization (numerator) to pay all debt service on bonds. This amount needs to be 1.35 times.
4. Debt/Equity Financing – 40 percent of capital improvements should be from debt and 60 percent should be from rates. With the current rate increase we will generate about \$5.5 million in cash that we can use for capital – however, our reserves (number 1 above) should be addressed first. Trent will keep an eye on number 1 and then we can decide how much to surplus cash can be used on capital. The last discussion was for a capital budget of \$16 million meaning \$9.6 million (60%) should be financed out of rates. As I said, we will be generating \$5.5 million with the current rate increase.
5. Investment Policy – not a concern, our cash is mostly in the State Investment Pool and all investments are allowed by law.
6. Cost-of-Service Rate Base – this is a problem due to the inequities across rate classes. We can discussion in a post 2011 workshop, or sooner if you'd like.

Paul and I discussed this briefly with Orrick yesterday and we and Trent are trying to make sure we are in compliance with all requirements of our bond issues. I hope the summary is of value.

DSC

$$\text{Ratio} = \frac{\text{Net Margins} + \text{Interest Expense} + \text{Depreciation and Amortization}}{\text{Principal} + \text{Interest on Long Term (Bonded) Debt}} = 1.35$$

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Royce

From: Sandy Willman
Sent: Tuesday, October 25, 2011 7:49 AM
To: Royce Hagelstein
Cc: Brian Skeahan
Subject: FW: Need some information for Mark McCrady
Importance: High

Public Disclosure Commission

Good Morning Royce,

Please read Mark's email below. Thanks!
Sandy

From: Mark McCrady
Sent: Tuesday, October 25, 2011 7:46 AM
To: Sandy Willman
Cc: Brian Skeahan
Subject: Need some information

Sandy, please find for me a copy of our financial policy that provides the ratios for capital funding. I looked through the ones I have at home but I do not have that one. I also need the ones for debt service coverage and the ones that dictate the priority of where excess revenue should go. That would be about when money gets put into the rate stabilization fund vs funding capital. Royce should know what I am looking for. Also, nail me down today about WPUA annual meeting.
Mark

McCrary, Mark A

DELEGATION 2 ITEM 8

From: Royce Hagelstein
Sent: Wednesday, March 14, 2012 8:15 AM
To: Ned Piper; Mark McCrary; Buz Ketcham
Subject: Two Things
Attachments: check_11360.pdf; check_11432.pdf

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Gentlemen;

Two items – Mark requested the info on the industrial conservation and it looks like these PDFs provide the answer. Let me know if you would like more information.

Second, Tami is finishing payroll and please recall that Buz and Ned were overpaid over the last few pay periods. Because this is a 3 pay period month, if we withhold the true-up you would have negative pay after the deductions. To fix this I would like to wait until we have your normal \$900 gross pay before we make the adjustment. That would be on the 4/13/2012 payroll. This way we won't have to do the adjustment over more than one pay period. Mark, because we owed you a little more you will see it on this pay check and you won't have another adjustment.

I hope this works for all of you and please let me know if you have questions.

Take care,

Royce

From: Doug Swier
Sent: Tuesday, March 13, 2012 3:32 PM
To: Royce Hagelstein
Cc: Eugene Rosolie
Subject: FW: Norpac/Fibre Conservation Payments

Hi Royce,
Hopefully the attached 2 PDFs help? Each check combined payments for multiple projects.
Doug

Doug Swier, PE
Conservation Engineer
Cowlitz PUD
P.O. Box 3007
961 12th Avenue
Longview, WA 98632
direct dial (360) 577-7544

From: Eugene Rosolie
Sent: Tuesday, March 13, 2012 3:06 PM
To: Doug Swier
Subject: FW: Norpac/Fibre Conservation Payments

Can you get Royce the info

Eugene

Sent from my Windows Phone

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From: Royce Hagelstein

Sent: 3/13/2012 2:59 PM

To: Eugene Rosolie

Cc: Gary Huhta

Subject: Norpac/Fibre Conservation Payments

Public Disclosure Commission

Hi Eugene;

At today's board meeting Mark McCrady asked what projects these disbursements are for:

Norpac – ck # 11360 \$1,005,562.33

Fibre – ck # 11432 \$123,791.34

Can you let me know so I can let them know?

Thanks!

ROYCE HAGELSTEIN, CPA

Cowlitz PUD • 961 12th Ave • PO Box 3007

Longview, WA 98632

Direct 360.577-7545

Fax 360.577-7559

rhagelstein@cowlitzpud.org

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Response to allegation #3. Authorizing a delay in distributing "retirement payroll adjustment checks" to eleven senior staff members until after the 2012 election for the purpose of assisting Mr. McCrady's 2012 campaign.

I believe that this statement is false, based on what I know of the issue. As background information, Resolution 2616 was passed by the Board in 2009 to freeze the merit pay for the department but to find a way to keep the employees whole as far as their retirement was concerned.

The allegation contains false information that need to be clarified as part of my response. First and foremost, out of the eleven people who were eligible to receive checks, I knew of at least two people who had received them because they told me so. Pat Lloyd, one of the eleven eligible to receive them, told me that he had gotten his check and thanked me for it. Later, in May of 2012, Monte Roden, another one of the eleven, told me that he had received his check as well. It is important to note that not only did Monte Roden receive the largest check, he got his check two weeks after I filed for election. If Mr. Skeahan had ordered the checks to be withheld, why would Mr. Roden get his money at the start of the election?

Dave Andrew, another one of the eleven, told me that he had refused the money so that accounted for three of the eleven. My assumption was that the rest of the checks had been issued. I found out later that issues with the State Auditor's office and the Department of Retirement Systems held up the process of distributing the rest of the checks.

I did not give direction to the General Manager to hold up the distribution of the checks. If you read the attached Governance Policy, you will see that an individual board member does not have that type of authority. It is attached to this allegation as Item 1. I also do not believe that Brian Skeahan held up the checks for political purposes. I believe that, if Cowlitz PUD fulfills all of Mr. Skeahan's FOIA requests, that he will be able to document that the delays were caused by outside forces, specifically the concerns and issues raised by the State Auditor's office and the Department of Retirement Systems.

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Mr. Hagelstein's other statement's need to be addressed as well. As far as the comments made at the bond rating meeting, I did not attend this meeting and have no knowledge of what took place. I will tell you that Mr. Skeahan email a report of the meeting to all three commissioners, I have attached that as item 2. All three commissioners received this email.

Mr. Hagelstein's last comment about gathering data are addressed in my response to allegations 2 and 4.

ALLEGATION 3

ITEM 1

**PUBLIC UTILITY DISTRICT NO. 1
OF
COWLITZ COUNTY, WASHINGTON**

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OCT -7 2013

Public Disclosure Commission

BOARD OF COMMISSIONERS GOVERNANCE POLICY

No.: AD-4
Issued: July 11, 2006
Revised: November 28, 2006 by Motion – Governance Focus d) (i)
July 10, 2007 by Motion – Board Compensation and Expenses
February 24, 2009 by Motion – Section XVIII, PERS Benefits
April 28, 2009 by Staff Recommendation – Section XVIII, PERS
Benefits
December 11, 2012 by Staff Recommendation No. 43/12/11
Effective: December 11, 2012

I. ORGANIZATIONAL STATEMENT

- Section 1. Public Utility District No. 1 of Cowlitz County, Washington, the District, is engaged in the generation, transmission and distribution of electric energy throughout Cowlitz County and in small adjacent portions of Clark, Lewis, Skamania and Wahkiakum Counties.
- Section 2. The Main Office of the District is located at 961 12th Avenue, Longview, Washington. An Operations Center, including a warehouse is located at 875 Industrial Way, Longview.
- Section 3. The District is a municipal corporation organized under the laws of the State of Washington. The governing Board consists of three elected Commissioners, each serving for a six-year period. One Commissioner position shall be on the ballot every two years. The Commissioners establish policy and appoint a General Manager, who is charged with the responsibility of managing the District consistent with RCW 54.16.100.
- Section 4. The Commission's regularly scheduled meetings are held in the Main Office on the 2nd and 4th Tuesday of each month commencing at 2:00 p.m.; although, from time to time the Board may convene special meetings, such as Rate or Budget Hearings. All Commissioner meetings shall be published according to statute.

OCT -7 2013

- i) This policy authorizes newly elected incoming Board members to attend, at District expense, the Washington PUD Association annual meeting and other workshops, training sessions or meetings that may be available and beneficial to said incoming Board member in order to better prepare him or her for their assumption of PUD related duties. Said meetings must occur between the date of election and the assumption of office and must be authorized by the General Manager.
- e) The Board will annually discuss and evaluate its own performance with specific reference to its activities and policies, soliciting thoughts and suggestions from the District's General Manager and Directors. Attached as Appendix 1 is a form that may be used for Board self assessment.

IV. BOARD JOB DESCRIPTION

Section 1. The general obligation of the Board, and its members as elected representatives of Cowlitz County, are to ensure appropriate organizational goals and achievements pursuant to the laws governing Public Utility Districts in the State of Washington.

Section 2. Specifically, the Board shall:

- a) Produce and maintain written policies that ensure high quality of governance and clear roles in decision-making between Board and management.
- b) Regularly monitor and evaluate the performance of the General Manager.
- c) Develop and use outreach mechanisms to ensure the Board hears the viewpoints of customers, the community, and other interested stakeholders.
- d) Adopt a District strategic plan and review it annually.
- e) Adopt the District budget on an annual basis, and review the financial status of the District monthly, and as otherwise needed.
- f) Review the annual State audit of the District's finances and procedures.
- g) Set the rates, rules and regulations for services provided by the District.
- h) Review the Board's governance policy annually, and revise as necessary.
- i) Take such other actions as deemed necessary and as required by law.

OCT - 7 2013

Section 2. Board Member Communication Outside of Board Meetings.

Public Disclosure Commission

- a) The Board acknowledges the right of each Commissioner to formulate and publicly express opinions regarding issues germane to their duties as District Commissioners. The Board further recognizes that Commissioners may articulate opinions on other matters of civic affairs or public interest not directly related to their duties as Commissioners.
- b) When a Commissioner engages in communication of any type, he or she must recognize at all times that, in the eyes of the public, Board members are likely to be perceived as speaking as a District Commissioner, and as such their communication will reflect on and impact the other Commissioners and District staff.
- c) When communicating on matters on which the Board has taken a formal position, it is acknowledged that any written correspondence be done under the signature of the Board President or entire Board, or by the General Manager on behalf of the Board. Such written correspondence should be on District letterhead.
- d) In the event the majority of the Board has not taken a position on an issue, or has taken a position different from an individual's position, the Board member holding a minority position, or any opinion on a matter not yet before the Board for a decision, should, in any communication or correspondence on that matter clearly state that his or her opinion is their own, and is not the position of the Board or District as a whole. District letterhead shall not be used for such written communication.
- e) In the event an individual Board member fails to make the above-referenced disclosure, the Board may itself or through the District's General Manager, issue a communication stating the District's position on the matter which may include information explanatory and supportive of the District's officially adopted position. If no position has yet been taken by the Board on the topic, the communication should disclose that fact.
- f) In order to maintain open communications and prevent misunderstandings, and as a courtesy to the other Commissioners and District management and staff, Commissioners should disclose at their meetings any communications they may have had with others on matters relating to the District.
- g) Public Commissioner meetings, as required by law, are intended to provide information from the staff and public to the Commissioners prior to decisions being made. Thus, Board members should refrain from taking or communicating positions on issues on which a public hearing is expected to be held prior to the holding of such hearings.

- b) The President shall ensure that the Board complies consistently with its own rules and policies, and those legitimately imposed on it from outside the organization.
- c) The President shall ensure that deliberation is fair, open and thorough, but also orderly and in conformance with the meeting's agenda.
- d) The President shall schedule and coordinate the annual process of evaluating the General Manager.

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X. BOARD MEMBERS CODE OF CONDUCT

OCT - 7 2013

Section 1. District Board members individually commit themselves in their ^{Public Disclosure Commission} elected capacity to ethical, businesslike, and lawful conduct, including appropriate use of their authority and decorum at all times when acting as Board members. Board members must avoid even the appearance of impropriety to ensure and maintain public confidence in the District.

Section 2. Board members shall achieve their commitment by:

- a) Conducting themselves with civility and respect at all times with one another, with District management and staff, and with members of the public.
- b) Demonstrating loyalty to the interests of District ratepayers. This supersedes any conflicting loyalty such as that to advocacy or interest groups, and membership on other Boards or employment situations that may have interests adverse to the District and its ratepayers. It also supersedes the personal interest of any Board member as a consumer of the District's products and services.
- c) Disclosing any decision-making involvement or investment in a business or type of business that contracts with the District, or any business that falls within the contemplation of the District's Conflict of Interest Code and Code of Ethics.
- d) Not attempting to exercise individual authority over the District except as explicitly set forth in Board policies. Board members must recognize the lack of authority vested in them as individuals in their interactions with the General Manager or with staff, except where explicitly Board authorized. In their interactions with the general public, media or other entities, Board members must recognize the same limitation and the inability of any Board member to speak for the Board except to express and comment on actual Board decisions.
- e) Respecting the confidentiality appropriate to issues regarding personnel, real estate transactions, proprietary matters, and attorney-client privileged communications.

Board which shall decide if such interest should prevent the District from entering into a particular transaction, purchase, or engagement of services. The term "immediate family" means Commissioner's spouse, parent, dependent children, and other dependent relatives, if living in the household.

- e) When a conflict of interest exists the Commissioner shall declare the nature of the conflict and recuse him or herself on any official action involving the conflict. The Commissioner shall not be present during Board discussion or voting on the matter.

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XII. UNITY OF CONTROL

Public Disclosure Commission

Section 1. Only decisions and instructions of the Commissioners acting as a Board are binding on the District's General Manager, General Counsel, and Auditor.

Section 2. In the case of Board members requesting information or assistance of District personnel without Board authorization, the District's General Manager, General Counsel or Auditor must refuse such requests that require, in their opinion, a material amount of staff time or funds, or are otherwise unduly burdensome, or contrary to Board policy or the direction provided by the majority of the Board.

Section 3. Board members may communicate directly with District employees or contractors. However, individual Commissioners or the Board shall never give direction to persons who report directly or indirectly to the District's General Manager. If individual Board members are dissatisfied with the response they receive, the matter will be resolved by the Board.

Section 4. The Board and individual Commissioners shall refrain from evaluating, either formally or informally, the job performance of any staff other than the District's General Manager, General Counsel, or Auditor, should the Board choose to participate in those evaluations.

XIII. GENERAL MANAGER

Section 1. It is the policy of the Board to select and appoint an administrative head of the District whose title shall be General Manager. The General Manager shall be responsible for the management and administrative conduct of the District's business in accordance with state law and Board policies.

Section 2. If the General Manager's position is vacant, the Board shall recruit and select a General Manager through an open and competitive process designed to obtain an experienced and qualified professional manager.

Section 2. The General Manager's responsibilities are generally categorized as followings:

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- a) Management of all operations of the District and its day-by-day administration.
- b) Achieve the goals established by the Board in its annual business plan and budget.
- c) Implement and ensure compliance with District policies, administer the personnel system (including hiring and terminating of all employees except the General Counsel and Auditor), attend meetings of the Board and report on the general affairs of the District, and keep the Board advised as to the needs and progress of the District with regard to long-range planning.
- d) Ensure appropriate management of the District during any planned absence of the General Manager, with contingency management planned in the event of an unplanned absence of the General Manager.
- e) Interact with the public and other utilities and government agencies, pursuant to policies adopted by the Board. The General Manager shall assure, in cooperation and consultation with the Board, that the District is appropriately represented in the community it serves.
- f) Perform other responsibilities as may be delegated by the Board either by Resolution or through the General Manager's contract of employment.

Section 3. The General Manager's job performance shall be objectively evaluated with consideration of the General Manager's personal characteristics, Board interaction, management of utility operations, the District's external relationships and attainment of identified goals and objectives. Such evaluation shall utilize forms and procedures adopted by the Board with the following considerations:

- a) The General Manager's performance evaluation shall be done on an annual basis.
- b) The evaluation shall be based on an evaluation of the District's performance relative to the strategic business plan, goals and objectives as established by the Board, and the General Manager's personal leadership, management, and implementation of those goals and objectives.
- c) The Board shall establish relevant criteria to determine the degree to which Board policies are being met.
- d) The General Manager shall propose performance criteria in December for the following year that represents his or her reasonable interpretation of achieving the goals defined by the Board.

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Section 4. The Auditor shall conduct audit reviews and special projects requested by the General Manager or the Board. The work of the Auditor shall provide reasonable assurance regarding the achievement of objectives in the following areas:

- a) Adherence to plans, policies and procedures.
- b) Compliance with applicable laws and regulations.
- c) Effectiveness and application of administrative and financial controls.
- d) Effectiveness and efficiency of operations.
- e) Reliability of data.
- f) Safeguarding assets.

The Internal Auditor in the performance of his or her duties shall have unlimited access to all activities, records, property and personnel of the District.

Section 5. The Board shall receive the results of all audits by the State and those audits or special project evaluations requested by the Board. In all cases, audit reports will be provided to the Board and management so that appropriate action is taken pursuant to the reports.

XVII. BOARD MEETINGS AGENDA PLANNING

Section 1. The General Manager, in consultation with his staff and Board shall prepare an agenda, with relevant documentation, for each regular meeting of the Board.

Section 2. Individual Commissioners, members of the public, or the General Manager may place matters on Board agendas. Prior to placing an item on the agenda, a Commissioner shall confer with the General Manager. When Commissioners invite people to speak at a Board meeting, the Commissioner will confer with the General Manager so that there will be appropriate coordination with preparing the agenda.

XVIII. BOARD COMPENSATION AND EXPENSES

Commissioners shall receive a monthly salary and in addition per diem compensation for appearances or participation in events primarily aimed at making District decisions, receiving information related to decision making, or speaking or directly participating in an activity representing the District in compliance with RCW 54.12.080. Further compensation for expense reimbursement shall be in accordance with the District's Travel Reimbursement Policy (AD-2) pursuant to RCW 54.12.080 (40). Further, Commissioners shall be afforded PERS, 401K and 457 plan benefits to the extent not inconsistent with other employees, as authorized by law, and as administered by staff. Provided, however, that for the purposes of PERS, Commissioners shall be imputed the requisite hours worked per month sufficient to accumulate and earn one (1) service credit per month.

McCrady, Mark A

ALLEGATION 3 ITEM 2

From: Brian Skeahan
Sent: Thursday, June 28, 2012 3:00 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Cc: Royce Hagelstein; Trent Martin; Gary Huhta: 'alan@adashen.com'

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Attachments: 2012-06-27_Cowlitz PUD_Surveillance_RAC_Published.pdf

Public Disclosure Commission

Good news bad news. The good news is we kept our A rating. The bad news is they gave us a negative outlook, primarily due to decline in financial numbers associated with going negative on off system sales.

Royce, Gary and I earned our keep today. They sent us a draft of their release and only gave us about an hour and a half to review and comment pretty much over the lunch hour. The first version was not at all good. The email I sent them is on the next email. I will also send a copy of the first version of the letter so you can compare.

I revised the text. Royce saw that they had pretty seriously screwed up the DSC numbers and scrambled to get them at least close to the right track there. I asked Gary to get me the numbers for how much our surplus was hydro (52%) and how much was wind (48%) on an average water / average wind basis. As you will see in the first draft they were clearly over attributing our surplus position as being primarily wind driven. They also initially described our wind resource as speculative. You can see the bitch I pitched below.

To their credit they made some adjustments without too much fuss. On the other hand, there is no excuse for going into committee with something as basic as the DSC screwed up. They should also know enough about the slice contract to know that how off system / non retail sales impact us is comparable to our wind resource. It is always frustrating to deal with these folks, but relatively speaking this interaction shows why we switched from S&P to Fitch.

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Public Disclosure Commission

Response to allegation #4. Authorizing and/or using PUD facilities to prepare and/or use supplemental PUD financial reports for the purpose of assisting Mr. McCrady's 2012 campaign.

My position is that it is not illegal for an elected official to request the information needed to properly perform his duties. Cowlitz PUD had, in 2012, an annual budget of around 250 million dollars. This is the largest public sector budget in Cowlitz County. The election season came at the same time that the annual budget for 2013 was being developed. I was not willing to stop doing what the ratepayers hired me to do because there was an election going on. The information I asked for, as listed in Mr. Martin's statement, were needed to make educated decisions for the development of the 2013 budget.

A few specific examples would be the Swift Insurance proceeds. We are talking about a substantial amount of money, around 12 million dollars. I needed to know the exact amount of money held in reserves so that we could see if some rate relief could come by the use of these reserves.

Debt Levels. It costs money to service debt, I needed to have an idea of how much as well as the when we could expect the individual bond issues to be paid off. Paying off bonds also frees up cash for other uses.

Also attached is an email concerning the net loss from the two wind farms that Cowlitz PUD owns. Again, I needed to know what to expect for losses to build the 2013 budget. This email was shared with all three commissioners and is shown as Item 1. If Commissioner Ketcham had a concern that this was in inappropriate use of staff time, why did he wait so long to bring his concerns forward?

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The irony of this is that the request made of Mr. Martin for the costs related to the smart meters project, or AMI, was due to a FOIA request filed by Mr. Anagnostou. The same is true about the amount of bad debt write-off for Cameron Glass. Again, uncollected debt reduces the amount of cash available, a good thing to know when building a budget. So Mr. Anagnostou files a FOIA request for this information and then Commissioner Ketcham uses this as a reason to file a PDC complaint against me. I have attached these two emails, shown as Items 2 and 3, to document the fact that the information was used to satisfy the KAA, or Kurt A. Anagnostou FOIA requests. I have also included all of the FOIA requests filed by Mr. Anagnostou during 2012. These are listed as Items 4, 5, and 6.

I have also attached to allegation #3, the Governance Policy of Cowlitz PUD. That policy has relevance to this allegation as well. The bottom line is, I followed the policy in that I always submitted my requests for information to the General Manager. I was not in attendance during any of the conversations between Trent Martin and Brian Skeahan so I cannot confirm or deny what was said. Mr. Martin makes it clear in his statement that none of the email exchanges between himself and Brian Skeahan referenced my campaign. He also makes it clear in his written statement that interactions between Mr. Skeahan and himself were limited on these requests.

Subject: Updated Wind Analysis shared with board
From: McCrady, Mark A (mamccrady@longfibre.com)
To: mamccrady2005@yahoo.com;
Date: Thursday, July 18, 2013 2:27 PM

RECEIVED

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ALLEGATION # 4 ITEM 1.

From: Brian Skeahan
Sent: Friday, June 15, 2012 4:44 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Subject: FW: Updated Wind Analysis

Asked for this to be updated to show 2011. So over 4+ years we have lost \$3.2M. In that time we probably have had \$800M in total revenue, \$400 ish excluding the schedule 50s. Now in the real world of owning resources you make and loose this kind of money all the time as the markets change and as your load resource balance shifts.

Welcome to the new world. Its different than the old world.

From: Trent Martin
Sent: Friday, June 15, 2012 8:23 AM
To: Brian Skeahan; Gary Huhta; Royce Hagelstein
Cc: Donald McMaster
Subject: Updated Wind Analysis

Hi All

See attached.

Take care

TRENT MARTIN, CPA
CHIEF FINANCIAL OFFICER
Cowlitz PUD • 961 12th Ave • PO Box 3007
Longview, WA 98632
Direct 360.577-4687
Fax 360.577-7559
tmartin@cowlitzpud.org

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Subject: Data mining due to KAA records requests
From: McCrady, Mark A (mamccrady@longfibre.com)
To: mamccrady2005@yahoo.com;
Date: Thursday, July 18, 2013 2:06 PM

ALLEGATION 4 ITEM 2

From: Brian Skeahan
Sent: Sunday, September 09, 2012 4:21 PM
To: Mark McCrady
Cc: Trent Martin
Subject: FW: AMI Costs

Per below Trent is showing \$13.8M for cost of AMI. Not sure what this does or does not include, but I do believe it is material, equipment, labor and overheads.

I would note that, back of the envelope the debt service for \$13.8 at 4.25% over 20 years life of meters gets you just a tad over \$1M P&I. That applied to all not schedule 50 loads, also less PPG (or whatever they are now) would end up costing the average ratepayer about **\$1 per month**.

So the question is, are you willing to pay a buck a month to have the foundational infrastructure that is a gateway to the new services.

As far as Cayenta, I think our contract with them will be right around \$6M. I would estimate another \$2.5M-ish for project management and other miscellaneous things.

I am cc'ing Trent to see if he as different thoughts for either.

From: Trent Martin
Sent: Thursday, August 23, 2012 10:08 AM
To: Brian Skeahan; Donald McMaster
Subject: AMI Costs

Hi Brian and Don

In responding to the records request, we noticed an odd item in the cost summary. Bruce researched and discovered a correction that was made in the general ledger but not on the work order side. This was from the old system. The costs to date are \$13.8m versus the \$17m + noted earlier.

Take care

TRENT MARTIN, CPA
CHIEF FINANCIAL OFFICER
Cowlitz PUD • 961 12th Ave • PO Box 3007
Longview, WA 98632
Direct 360.577-4687
Fax 360.577-7559
tmartin@cowlitzpud.org

Subject: More Cameron Debt infor for KAA
From: McCrady, Mark A (mamccrady@longfibre.com)
To: mamccrady2005@yahoo.com;
Date: Thursday, July 18, 2013 2:14 PM

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Public Disclosure Commission

DELEGATION 4 ITEM 3

From: Royce Hagelstein
Sent: Monday, August 27, 2012 8:22 AM
To: Mark McCrady; 'Mark McCrady' (mamccrady2005@yahoo.com)
Subject: FW: Debt recovery info
Importance: High

Mark, I apologize. I sent this to Brian after you requested it thinking he would forward it to you. See my message to Brian below and let me know if you have questions or want to discuss.

Royce

From: Royce Hagelstein
Sent: Wednesday, August 15, 2012 11:40 AM
To: Brian Skeahan
Subject: RE: Debt recovery info

Brian;

Attached are the graphs including and excluding Cameron. When the write-off happened somewhere along the line a decision was made to not include it on the ones at the board meeting. A summary of the accounting showing the calculations on how we got to the write-off amount is also included.

Royce

From: Brian Skeahan
Sent: Wednesday, August 15, 2012 8:05 AM
To: Royce Hagelstein
Subject: Fwd: Debt recovery info

I presume you know the sheet he is talking about

When did we actually write it off

Sent from my iPhone

Begin forwarded message:

From: Mark McCrady <mmccrady@cowlitzpud.org>
Date: August 15, 2012 7:37:37 AM PDT
To: Brian Skeahan <BSkeahan@cowlitzpud.org>
Subject: Debt recovery info

I have a meeting on 8-22 where the Cameron debt will be discussed. If Royce could update his spreadsheet to show how much each quarter was due to the Cameron bankruptcy, that would be appreciated.

Mark

ALLEGATION #4

ITEM 4

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Public Records Request Form

Public Disclosure Commission

To submit your request for Public Records: 1) fill out this form as completely as possible, 2) submit the completed form by mail: Cowlitz PUD, Public Records Officer, PO Box 3007, Longview, WA, 97632; email: publicrecords@cowlitzpud.org; or in person to our main office located at 961 12th Avenue in Longview.

Please describe the records you are requesting and provide any additional information to help locate the records as quickly as possible. Use appropriate document title and date, if known.

I request: a copy of the current and past managers' employment contract, along with current salary;

the past three years pay increases for the manager, including any changes to benefits or pensions;

the current bond issue summary and future debt; as well as a breakdown of the wind farm financing;

status of potential suit against Calif. Per conversation e-mail to ka@dajustice.com

☐ See attached sheet with additional requests

I would like to:

☐ inspect the records at no charge (I may request copies after inspection).

☐ receive copies of the records after paying required copying charges. I am willing to pay up to \$ _____ for those copies.

Kurt Anagnostou

Name

PO Box 2466

Address

Longview Wa 98632

City, State, Zip

ka@dajustice.com

E-Mail Address

Sign here

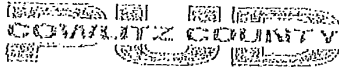
Date

Limitation On Use For Commercial Purposes

Washington State law, RCW 42.56.070(9), prohibits the use of lists of individuals for commercial purposes. "Commercial purposes" means that the person requesting the record intends that the list will be used to communicate with the individuals named in the record for the purpose of facilitating profit-expecting activity. By signing below, you are certifying that the lists of individuals obtained through this request for public records will not be used for commercial purposes.

ALLEGATION 4 ITEM 5

2nd Req.



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Public Records Request Form

Public Disclosure Commission

To submit your request for Public Records: 1) fill out this form as completely as possible, 2) submit the completed form by mail: Cowlitz PUD, Public Records Officer, PO Box 3007, Longview, WA, 97632; email: publicrecords@cowlitzpud.org; or in person to our main office located at 961 12th Avenue in Longview.

Please describe the records you are requesting and provide any additional information to help locate the records as quickly as possible. Use appropriate document title and date, if known.

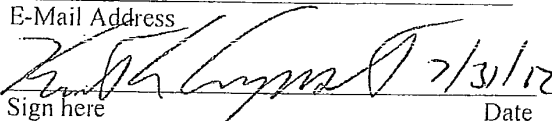
☒ See attached sheet with additional requests

I would like to:

- ☐ inspect the records at no charge (I may request copies after inspection).
☐ receive copies of the records after paying required copying charges. I am willing to pay up to \$_____ for those copies.

Kurt Anagnostou

Name
1801 First Ave
Address
Longview, WA, 98632
City, State, Zip
ka@dajustice.com
E-Mail Address


Sign here Date

Limitation On Use For Commercial Purposes

Washington State law, RCW 42.56.070(9), prohibits the use of lists of individuals for commercial purposes. "Commercial purposes" means that the person requesting the record intends that the list will be used to communicate with the individuals named in the record for the purpose of facilitating profit-expecting activity. By signing below, you are certifying that the lists of individuals obtained through this request for public records will not be used for commercial purposes.

PUBLIC RECORDS REQUEST FORM "ATTACHMENT"

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1. All W-2's for the General Manager for the years 2005 to the present.
2. All documents showing the number of employees (FTE's) from 2005 to the present.
3. Documents showing the total actual pay roll for all employees for each of the years starting 2005 to the present.
4. Documents showing the make, model and number of wind generators owned by the Cowlitz PUD.
5. Documents showing the actual maintenance costs for the wind generators for the years 2008 to the present.
6. Documents showing the life expectancy of the wind generators owned by Cowlitz PUD.
7. Documents showing the make and model number for the electronic meters installed by the Cowlitz PUD.
8. Documents showing the cost to purchase the electronic meters.
9. Documents showing the cost to install the electronic meters.
10. Documents showing the life expectancy of the electronic meters.
11. Any and all documents obtained by the Cowlitz PUD discussing any issue regarding the electronic meters including, but not limited to, false reporting of power usage, meter failures, statements regarding the reliability/unreliability of same or similar electronic meters from other private or public utility providers.
12. Documents showing the make/model and life expectancy of the mechanical meters.
13. Documents showing the cost of the mechanical meters.
14. Documents showing the rate and amount paid by Longview Fibre to the Cowlitz PUD for each of the years from 2005 to the present.
15. Rate and amount paid by the Cowlitz PUD to Longview Fibre for bio-mass power, or other electrical power.
16. Provide a copy of any and all contracts between the Cowlitz PUD and Longview Fibre including, but not limited to, the purchase of bio-mass power.

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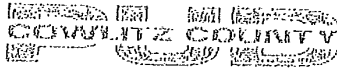
OCT -7 2013

Public Disclosure Commission

17. Copies of any and all change orders regarding the new tech-ops building on Industrial Way including, but not limited to, fencing, paving, roofing or other.
18. Documents showing the amount held in reserves by the Cowlitz PUD for each of the years starting 2005 to the present.

ALLEGATION 4 ITEM 6

3rd Req.



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Public Records Request Form

Public Disclosure Commission

To submit your request for Public Records: 1) fill out this form as completely as possible, 2) submit the completed form by mail: Cowlitz PUD, Public Records Officer, PO Box 3007, Longview, WA, 97632; email: publicrecords@cowlitzpud.org; or in person to our main office located at 961 12th Avenue in Longview.

Please describe the records you are requesting and provide any additional information to help locate the records as quickly as possible. Use appropriate document title and date, if known.

1) Documents showing the policy of the Cowlitz PUD with regards to late or delinquent accounts.

2) Documents showing the stages leading to shut off of a customer's services.

3) Documents showing amounts charged to customers for each stage.

4) Documents showing when said policy was last approved or modified.

☒ See attached sheet with additional requests

I would like to:

☐ inspect the records at no charge (I may request copies after inspection).

☐ receive copies of the records after paying required copying charges. I am willing to pay up to \$_____ for those copies.

Kurt Anagnostou

Name

1801 First Ave. Suite 4A

Address

Longview, WA 98632

City, State, Zip

ka@dajustice.com

E-Mail Address

Sign here

Date

Limitation On Use For Commercial Purposes

Washington State law, RCW 42.56.070(9), prohibits the use of lists of individuals for commercial purposes. "Commercial purposes" means that the person requesting the record intends that the list will be used to communicate with the individuals named in the record for the purpose of facilitating profit-expecting activity. By signing below, you are certifying that the lists of individuals obtained through this request for public records will not be used for commercial purposes.

8/1/12

5. Documents showing number of customers subjected to a shut off notice for each year, starting 2008 to the present.
6. Documents showing the amounts held in deposit for customers including new or delinquent customers for each year starting 2008 to the present.
7. Documents showing the number of days Cameron Glass (or any other entity, person, partnership, representative or other for that facility commonly referred to including but not limited to, Cameron Glass, Cameron Glass, Inc., Cameron Family Glass, Cameron Glass Facility, 231 North Hendrickson Road, Kalama, Washington 98625-9546) became delinquent for services to Cowlitz PUD.
8. Documents showing amount owed by said customer/entity as referenced in the previous request.
9. Documents showing amount discharged in the bankruptcy of the previous referenced customer, if any.
10. Documents showing amounts recovered from the Trustee upon the bankruptcy sale of the above referenced customer to the new owners, if any.

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Response to allegation #5. Authorizing a 2012 PUD communications plan that began evolving mid-year into a re-election plan for Mark McCrady, and that included conducting a survey for the purpose of assisting Mr. McCrady's 2012 campaign.

This allegation is completely false and I have attached emails that show contradictory statements made by Brent Arnold. I have also attached the following documents to refute this allegation. They are as follows.

An email from Brian Skeahan to all three commissioners dated 12-11-11 that documents his meeting with Brent Arnold. The direction of the new communications plan is stated in this email and my position is that the direction did not change substantially from that point forward. I would also note that Commissioner Ketcham, to my knowledge, not only did not voice any concerns, he endorsed the new communication plan by voting for the 2012 budget that supplied the funding for this initiative. This is shown as Item 1.

Two emails from Brian Skeahan to all three commissioners dated 12-20-11 and 12-26-11 confirming a change in the communications strategy and seeking input and approval. Again, Commissioner Ketcham, to my knowledge, not only did not voice any concerns, he endorsed the plan by voting for the 2012 budget that supplied the funding for this initiative. These are shown as items 2A and 2B.

An email from Brian Skeahan to all three board members dated 3-1-12 finalizing the poll questions and encouraging anyone who had any problems with the questions or the path forward to speak up. This is shown as item 3. Also, all three commissioners met with the Strategies 360 staff for formal interviews. Please note that this was over two months before the filing period for office and there were no announced candidates, myself included, for the office that I held. My other question is, if Commissioner Ketcham had concerns about the tone and tenor of the questions, why did he wait over a year to express them?

An email and a position paper written by me and sent to the staff at The Daily News. Despite the fact that Cowlitz PUD had used Strategies 360 since 2009 for various initiatives, supporters of my opponent began calling the paper and making the allegation that Cowlitz PUD had hired Strategies 360 to assist my campaign. I sent the email and developed the position paper to the publisher, Rick Parrish, to make it clear that the allegations were without merit. These are shown as items 4A and 4B.

An email sent to me from Brent Arnold stating that he went to The Daily News to drop off additional information about the work that Strategies 360 was doing for Cowlitz PUD. His position in this email is very clear and completely contradicts the statement that Commissioner Ketcham offers as evidence. This is shown as item 5.

I submit that Mr. Arnold's statement submitted July 18th, 2013 is false. As disappointed as I am in Mr. Arnold, I understand why he would do this. Since January of 2013, Cowlitz PUD has had their Government Affairs director quit, the General Manager and the HR director were both terminated as well as the Executive Assistant to the General Manager. There presently exists, in my opinion, a climate of fear and intimidation at Cowlitz PUD. I can also provide you names of two PUD department heads who would be willing to testify to this if they were given anonymity as far as their testimonies are concerned. My position is that Mr. Arnold has young children and is willing to do or say whatever it takes to stay in the good graces of the new management team. The contradictions between the October 30, 2012 email and his statement submitted to the PDC prove this.

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Public Disclosure Commission

McCrady, Mark A

ALLEGATION 5 ITEM 1

From: Brian Skeahan
Sent: Sunday, December 11, 2011 3:22 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Cc: Dave Andrew; Brent Arnold; 'Matt Steuerwalt'; 'Al Aldrich'
Subject: Re- set button on communication

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I had a lunch meeting with Brent the new guy on Friday to chat with him about my concerns / desires for moving forward with our communication efforts and to hear what a new set of eyes think they see.

I expressed to him the Board's frustration with the current state of affairs. I asked him to put together a 2012 plan outlining what we are going to say, how we are going to say it, and where is it going to be said. I told him I wanted a plan that might resemble one for a campaign for a candidate or a ballot initiative.

In preparing that plan I asked him to schedule some time with each of you to gain your perspectives. I also want to use the upcoming polling we have planned to guide this as well. That means the poll itself will need to be different. This will give us the opportunity to gain Strategy 360's expertise as well in preparing the poll with a new set of issues / perspectives in mind.

I told him nothing is off the table as far as message or medium. We talked as you might expect about our frustration with (as Ned affectionately calls them) The Daily Noose, but the perspective that if we are getting beat up in that medium the possible need to be in that medium, but if so how. I put on the table the option of direct mail newsletters to supplement our newsletter going out with the bill, targeted at frequent voters as an example of a new approach.

We talked about how we might be perceived differentially by different age, economic, demographic and geographic groups, how we can better determine that, and what the consequence of that knowledge might be.

We are all pretty frustrated and at times angry right now. The risk if having that be useless emotion, or worse still, turning it on each other. The challenge is to turn that emotion and energy into a plan that allows us to better get out the messages that we want:

- We are a progressive, innovative utility
- We are well governed and managed
- We are financially responsible
- While rates are important, and we have no reason to be embarrassed about ours, rates aren't the only thing
- We are investing in things that have value to our customers, things that improve service, reliability and create customer choice
- We are environmentally responsible, properly balancing environmental and economic concerns and issues
- We are a large PNW public utility and a leader in PNW energy issues

I was interested but not surprised by Brent's observations. As an information receptive person coming from the outside, and one who did do his research, I think he recognizes the things we are doing, and believes that, particularly among some groups more than others these things will be valued and appreciated. That said he obviously recognizes we are getting pretty beat up right now in some

quarters.

Brent is in Ghana for a couple of weeks getting his new baby, but will get on this upon his return. I think we can be successful, but it will take a team effort, the Board, myself, Brent, Dave's continued participation and insight, and the informed advise of our Strat 360 friends and the information that comes from the polling work. The end result should be a plan with clear tasks and timelines we all buy off on .

Thanks

Brian Skeahan
General Manager
Cowlitz PUD

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Public Disclosure Commission

DECLARATION

ITEM 2A

Subject: FW: direct mail issues & considerations.

From: McCrady, Mark A (mamccrady@longfibre.com)

To: mamccrady2005@yahoo.com;

Date: Tuesday, July 16, 2013 10:11 AM

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From: Brian Skeahan

Sent: Tuesday, December 20, 2011 10:52 AM

To: Mark McCrady; Buz Ketcham; Ned Piper

Subject: FW: direct mail issues & considerations.

OK guys, I really want you to take some time to think about the questions and issues below. These are not inconsequential decisions and merit more than an off the top of the head response. So please take a look, sleep on it and get back to me as specific responses as you can.

Thanks

From: Brian Skeahan

Sent: Monday, December 19, 2011 6:22 PM

To: Dave Andrew

Subject: direct mail issues & considerations.

There is a lot here, but I think we need some guidance from Board on almost all of these things.....

I tried to tee up some things to think about on some of them without trying to steer to an answer.

1. Is the current anticipated mailing a one time only in response to TDN story on budget or will there be subsequent mailings
2. If there are subsequent direct mailings, will they be
 - a. On some regular / semi regular schedule
 - i. If so is it
 1. Monthly
 2. Every other month
 3. Quarterly
 - a. Assume \$.30 each for mailing and \$.??? for printing, paper etc for a total of \$? each
 - b. Some anticipation of a certain number each year but more event driven
 - i. We know what actions are likely to be hot button issues so we plan a mailing around those issues as they arise,
 1. Thus not tied to a date driven schedule
 3. How many / to who do we mail
 - a. All residential customer
 - i. Gets to everybody
 - ii. Non discriminatory
 - iii. More expensive
 - b. All registered voters

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- i. Gets to those most likely to be interested in the issues
- ii. Gets to those whose opinion ultimately counts
- iii. Reduces costs
- iv. Makes it easier to claim it is a campaign piece, which will draw attention from PDC
- 1. Which could become a news item in and of itself
- c. Include commercial accounts?
 - i. If so same or targeted piece
- d. Only a geographic subset
 - i. Targeted to areas of greatest TDN circulation
 - ii. Reduces cost
 - iii. Doesn't get our message out to as many people
 - iv. Easier to portray as a response to TDN rather than effort to get good info out to everybody
 - v. If it is to everybody do we customize by geographic area
- 1. Would allow targeted messages for things like specific improvement projects
 - a. Would also allow distinction for TDN created issues
 - i. Address in those areas likely to receive TDN differently
- e. Cost implications for each option with some costing more, others reducing cost
- 4. Do we / how aggressively do we explain the reason / need for the new direct mail piece is due to poor & biased reporting by TDN
 - a. Arguments for
 - i. It provides an explanation for the mailing and its expense
 - ii. It plants the seed and / or reinforces the notion that TDN is not a trustworthy source of news for PUD matters
 - b. Arguments against
 - i. It provides exposure to conflict with TDN that otherwise might not exist
 - ii. It may / will probably result in even more nasty treatment from TDN toward us.
- 1. How much worse can it get and at some point does it even matter?
- 5. Do we write and edit with
 - a. In house people
 - i. Most control over content
 - ii. Least cost
 - b. Hire a guest reporter / editor
 - i. If you got a known and respected name it might lend more credibility
 - ii. Adds to cost
 - iii. Reduces our control
- 6. Is the primary purpose of this newsletter to
 - a. Explain policy actions & decisions by the Board and utility management
 - b. Provide more coverage about value for utility investments in improved T&D systems, generation projects, etc
 - c. Or is it broader, more similar to the existing newsletter encompassing conservation / AMR program offerings etc
- 7. If we do this proposed newsletter regularly with wide distribution how does it change content of existing newsletter?

- a. Is the answer to this question different with a decision to send to all customers vs send just to voters?

Brian Skeahan
General Manager
Cowlitz PUD

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McCrady, Mark A

ALL E GATION 5 1 Item 20

From: Brian Skeahan

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Sent: Monday, December 26, 2011 1:17 PM

To: Mark McCrady; Buz Ketcham; Ned Piper

OCT -7 2013

Subject: direct mailing

On December 19 I sent an email outlining some questions / options for the planned direct mail piece. Public Disclosure Commission have heard back from some of you but not all of you. Based on the feedback here is where I think we are:

1. This will not be a one- time mailing
2. Subsequent mailings will be issue / event driven, not calendar driven
3. It will be sent to all of our residential customers
 - a. We may in the future consider varying the content slightly to different geographic areas, but the initial one will be the same for everybody
4. We will walk a fine line between not aggressively calling out TDN for their recent lying headline but somehow subtly explain that this new correspondence is needed to assure our customers get accurate information. Knowing where we are on that line will likely be in the eye of the beholder sort of thing so we will see how the first draft looks.
5. The first mailing will focus on the 2012 budget trying to get that record set straight and also cover the various good deeds our employees have done in the community over Christmas
6. Just how this will be different from the monthly newsletter is still a work in progress but we think that it will focus more on bigger issues that get to the Board and how projects and programs benefit the customer. We need to continue to give this some additional thought.

Brent is working on it now. Told him we wanted something to printer this week. Will run it past you all prior to sending it over.

Finally, as mentioned before Dave is nervous about doing this. I think giving TDN too much of a free pass ultimately is more likely than less likely to be a loser for us. Every time I tell the story about the headline and the subsequent refusal to print the add its an interesting and uniform response. And it isn't good for TDN. Where you all seem to be is somewhere in the middle so maybe that's the right answer. Usually is. But I have always had better luck in fights using both hands. That said, I have never been under the mistaken impression that I didn't have a boss(es).

More later.

PS, resist any reply to all temptations.

Brian Skeahan
General Manager
Cowlitz PUD

ALLEGATION ← ITEM 3

From: Brian Skeahan
Sent: Thursday, March 01, 2012 9:29 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Cc: Dave Andrew; Brent Arnold
Subject: Fwd: Revised draft plus comments

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This is basically the final version of the poll. If you find something that you can't live with let Dave or Brent know first thing in morning. The guys we pay to know this stuff think this is pretty much it and there is a method to it

Thanks
Sent from my iPhone

Begin forwarded message:

From: "Kevin Ingham" <kevin@strategies360.com>
To: "Matt Steuerwalt" <MattS@strategies360.com>, "Brian Skeahan" <BSkeahan@cowlitzpud.org>, "Dave Andrew" <Dandrew@cowlitzpud.org>, "Brent Arnold" <barnold@cowlitzpud.org>
Cc: "Jenny Leland" <jennyl@strategies360.com>, "Al Aldrich" <ala@strategies360.com>, "Paul Queary" <paulq@strategies360.com>
Subject: RE: Revised draft plus comments

All - We are right on time so we don't need to cut anything. Please review the following questions for wording. A draft survey is included as well if you want to see the lead up to these questions.

40. On a different topic, in 2006, Washington voters voted to approve a proposal which required electric utilities to increase the percentage of new renewable energy, such as wind and solar, that they sell to their customers. Thinking back, do you recall whether you voted

in favor or against this proposal?

In favor 1 (GO TO Q41)
Against 2 (GO TO Q42)
Can't remember (DNR) 3 (GO TO Q42)
Didn't vote (DNR) 4 (GO TO Q42)
DK/NA/REFUSED 5 (GO TO Q42)

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41. Which of the following comes closest to the primary reason you supported this proposal, even if none are exactly your opinion. (READ AND ROTATE)

I thought it would lower my electric bills 1
I believed it would be good for the environment 2
I believed it would create jobs in Washington 3
None of these (DNR) 4
DK/NA/REFUSED 5

...later in the survey...

55. Do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

56. Compared to similar sized PUDs, do you think the salaries of Cowlitz PUD employees are higher, lower or about the same?

Higher 1
About the same 2
Lower 3
DK/NA/REFUSED 4

57. According to the Longview Daily News, the ten highest paid employees at Cowlitz PUD are paid between \$116,000 and \$177,000 per year. After hearing this, would you say Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4

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DK/NA/REFUSED 5

58. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that to attract and retain a skilled workforce that can operate high-tech equipment and keep infrastructure running safely, Cowlitz needs to pay competitive salaries that attract talented workers. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

59. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that the wages paid to Cowlitz PUD employees are determined by paying wages comparable to those with comparable jobs at similar electric utilities in Washington, Oregon and Idaho. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

60. Some say ratepayers are getting huge electric bills to pay for expensive salaries at Cowlitz PUD. Others say that it is unfair to blame employees for electric bills. Even if Cowlitz PUD went as far as to cut the salaries of every single employee in half, it would only reduce the average customer's bill by less than seven dollars. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

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Kevin Ingham
Vice President, Polling and Research
Strategies 360
O - 206.282.1990
C - 720.878.5840



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A Survey of Electric Consumers in Cowlitz County, WA
Prepared by Strategies 360
N = 600; Margin of Error is $\pm 4.0\%$

1. Form Public Disclosure Commission
- A 1
B 2
2. Gender
- Male 1
Female 2
3. Years of service (round to nearest whole number) _____
4. Average bill (round to nearest dollar) _____
5. Six-digit account number _____
6. Discount
- Yes 1
Blank 2
7. Five-digit zip code _____

DNR = Volunteered response, do not read

Hello, may I please speak with (NAME ON LIST)? My name is _____ from _____, a public opinion polling firm. We're not selling anything. We are conducting a survey about some issues people have been talking about lately. It will take only a few minutes and all responses will be anonymous and used only for research purposes.

IF NAME ON LIST UNAVAILABLE, ASK FOR YOUNGEST AVAILABLE PERSON IN HOUSEHOLD OVER THE AGE OF 18

8. First, are you 18 years or older and currently living in Cowlitz (COW-lits) County, Washington?
- Yes CONTINUE
No TERMINATE
DK/NA/REFUSED TERMINATE
9. Do you or does anyone in your household work in any of the following industries? (READ LIST)
- Media TERMINATE
Politics TERMINATE
Public utilities TERMINATE
Agriculture CONTINUE
Tourism CONTINUE
None (DNR) CONTINUE
DK/NA/REFUSED TERMINATE
10. To start, in general, would you say that things in Cowlitz County are heading in the right direction or are things off on the wrong track? (PUSH TO MAKE CHOICE)
- Right direction 1
Wrong track 2
Mixed (DNR) 3
DK/NA/REFUSED 4
11. What would you say is the most important issue facing Cowlitz County today? (READ LIST)
- Economy and jobs 1
Government budget / taxes 2
Bills and cost of living 3
Education 4
Something else 5
DK/NA/REFUSED 6
12. How would you rate the condition of the local economy? Is it... (READ AND ROTATE LIST TOP TO BOTTOM)
- Very strong 1
Somewhat strong 2
About average 3
Somewhat poor 4
Very poor 5
DK/NA/REFUSED 6
13. How about for you personally? Would you rate your family's economic situation as... (READ AND ROTATE LIST TOP TO BOTTOM)
- Very strong 1
Somewhat strong 2
About average 3
Somewhat poor 4
Very poor 5
DK/NA/REFUSED 6

STUDY 12-015

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A Survey of Electric Consumers in Cowlitz County, WA
Prepared by Strategies 360
N = 600; Margin of Error is ±4.0%

Public Disclosure Commission

Now I'm going to read you a short list of the names of some people and organizations you may be familiar with. After I read each one, I'd like you to tell me if you have a very favorable, somewhat favorable, somewhat unfavorable or very unfavorable opinion of that person or organization. If you don't recognize the name or if you recognize the name but do not have an opinion, please just say so and we will move to the next name. Here is the first one...

ROTATE ALL	Very Fav	SW Fav	SW Unfav	Very Unfav	Recog., No opin	Don't recog.	DK/REF
14. Buz Ketcham (<u>KETCH-um</u>)	1	2	3	4	5	6	7
15. Mark McCrady (<u>mick-CRAY-dee</u>)	1	2	3	4	5	6	7
16. Ned Piper	1	2	3	4	5	6	7

17. Changing directions, I'd like you to consider all your experiences to date with Cowlitz Public Utility District, also known as Cowlitz PUD (pee-you-dee). Will you please tell me if you are very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied with Cowlitz PUD? Or are you neither satisfied nor dissatisfied?

Very satisfied 1
Somewhat satisfied 2
Neither satisfied nor dissatisfied 3
Somewhat dissatisfied 4
Very dissatisfied 5
DK/NA/REFUSED 6

I'm going to read you a list of qualities that might be used to evaluate an electric utility. For each one, please tell me if you would rate Cowlitz PUD's performance as excellent, good, fair, or poor on that measure of quality. Here is the first one...

ROTATE ALL	Exc	Good	Fair	Poor	DK/REF
18. Keeping longer power outages to a minimum	1	2	3	4	5
19. Restoring power quickly after an outage	1	2	3	4	5
20. Keeping blinks or momentary outages to a minimum	1	2	3	4	5
21. Communicating with you and keeping you informed	1	2	3	4	5
22. Being good stewards of the environment	1	2	3	4	5
23. Ensuring the PUD's electric infrastructure is safe for the public and its workers	1	2	3	4	5
24. Being involved and supporting the local community	1	2	3	4	5
25. Making responsible investments in PUD infrastructure so it is up to date and in good repair	1	2	3	4	5
26. Making responsible investments in renewable energy	1	2	3	4	5

Changing directions for a moment...

27. In the last week, did you happen to read either a newspaper or visit the website of a newspaper? (IF YES:) Which newspaper or newspapers did you read or visit online? (OPEN ENDED WITH PRECODES; DNR CODES; ACCEPT UP TO FOUR)

The Daily News (Longview / Kelso paper) 1
The Seattle Times 2
The Oregonian 3
Columbia River Reader 4
The Reflector 5
The Valley Bugler 6
The Vancouver Columbian 7
All other newspapers mentioned 8
Did not read a newspaper 9
DK/NA/REFUSED 10

28. Have you read or heard anything recently about the Cowlitz PUD? (IF YES:) Did what you read or heard leave you with a favorable or unfavorable opinion of Cowlitz PUD?

Favorable opinion 1
Unfavorable opinion 2
Neutral (DNR) 3
Did not hear or read anything 4
DK/NA/REFUSED 5

29. (READ ONLY IF Q28 = 1,2,3) Can you tell me what you read or heard? (OPEN ENDED WITH PRECODES; DNR CODES)

General news 1
Salaries / raises / benefits for Cowlitz staff 2
Poor management / poor use of money 3
Increasing electric rates / news about rates 4
Wind farms / California / renewable energy 5
Profit / greed 6
Infrastructure investments / upgrading 7
Borrowing / debt 8
Other (RECORD) 9
DK/NA/REFUSED 10

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For each of the following, please tell me if you would rate Cowlitz PUD's performance as excellent, good, fair, or poor. Here is the first one...

ROTATE ALL	Exc	Good	Fair	Poor	DK/REF
30. Keeping you informed about rate changes	1	2	3	4	5
31. Providing a good value for the dollar	1	2	3	4	5
32. Working to keep rates as low as possible	1	2	3	4	5
33. Offering a good selection of options and incentives to help you control your monthly bill and conserve energy	1	2	3	4	5
34. Having cost conscious management	1	2	3	4	5
35. Charging a reasonable amount for new service connections, deposits, late charges and other fees	1	2	3	4	5
36. Paying fair and reasonable employee wages	1	2	3	4	5
37. Keeping debt and borrowing to a minimum	1	2	3	4	5

38. How much does your monthly electric bill affect your family budget? Would you say your electric bill is an extremely serious problem, a somewhat serious problem, not much of a problem, or not a problem for your family budget?

Extremely serious problem 1
Somewhat serious problem 2
Not much of a problem 3
Not a problem 4
DK/NA/REFUSED 5

39. Which of the following statements comes closest to your own opinion, even if none are exactly your opinion? (READ LIST)

The money I pay Cowlitz PUD for electricity is too high and not a good value for the money 1
The money I pay Cowlitz PUD for electricity is probably fair considering their service and reliability 2
The money I pay Cowlitz PUD for electricity is a great deal considering their service and reliability 3
DK/NA/REFUSED 4

40. On a different topic, in 2006, Washington voters voted to approve a proposal which required electric utilities to increase the percentage of new renewable energy, such as wind and solar, that they sell to their customers. Thinking back, do you recall whether you voted in favor or against this proposal?

In favor 1 (GO TO Q41)
Against 2 (GO TO Q42)
Can't remember (DNR) 3 (GO TO Q42)
Didn't vote (DNR) 4 (GO TO Q42)
DK/NA/REFUSED 5 (GO TO Q42)

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41. Which of the following comes closest to the primary reason you supported this proposal, even if none are exactly your opinion. (READ AND ROTATE)
- I thought it would lower my electric bills..... 1
 - I believed it would be good for the environment 2
 - I believed it would create jobs in Washington 3
 - None of these (DNR) 4
 - DK/NA/REFUSED..... 5
42. Based on what you have seen or heard, in the last 6 months, can you recall whether Cowlitz PUD has (ROTATE:) raised its rates, lowered its rates, or kept its rates about the same?
- Raised 1
 - Kept the same..... 2
 - Lowered..... 3
 - DK/NA/REFUSED..... 4
43. (READ ONLY IF Q42 = 1) As a percentage, can you recall the size of this rate increase? (CODE PERCENTAGE, IF DK/NA/REFUSED: CODE 999)
44. Based on what you may have heard or read, on average do you believe that the electric rates paid by Cowlitz PUD customers are (ROTATE:) higher, lower or about the same as the rates paid by others in Washington and Oregon?
- Higher..... 1
 - About the same..... 2
 - Lower..... 3
 - DK/NA/REFUSED..... 4
45. I'd like to give you some more information. Last year, the Cowlitz PUD raised electricity rates for residential customers. Compared with the cost increases you have seen for other goods and services, would you say this rate increase was reasonable or unreasonable? (IF UNREASONABLE:) Is that completely unreasonable or somewhat unreasonable?
- Reasonable 1
 - Somewhat unreasonable 2
 - Completely unreasonable 3
 - DK/NA/REFUSED..... 4
46. In the next several years, do you expect electric rates to continue to increase, to stay about the same or to go down?
- Increase..... 1
 - About the same..... 2
 - Go down 3
 - DK/NA/REFUSED..... 4
47. Based on what you have read or heard, what were the primary reasons that Cowlitz PUD increased its electric rates? (OPEN ENDED WITH PRECODES; ACCEPT UP TO THREE)
- General cost of doing business / inflation 1
 - Wholesale power costs / fuel costs 2
 - Salaries / raises / benefits for Cowlitz staff 3
 - Poor management / poor use of money 4
 - Demand / usage 5
 - Bad economy / economic forces 6
 - Regulations..... 7
 - Wind farms / California..... 8
 - Profit / greed 9
 - Voter initiatives / Renewable energy standards..... 10
 - Infrastructure investments / upgrading 11
 - Borrowing / debt..... 12
 - Other (RECORD)..... 13
 - DK/NA/REFUSED..... 14

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A Survey of Electric Consumers in Cowlitz County, WA
Prepared by Strategies 360
N = 600; Margin of Error is ±4.0%

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I'm going to read you a few of the reasons Cowlitz PUD gave its customers when explaining why rates have gone up. Please tell me if you find each one to be a very good reason, a somewhat good reason, a somewhat bad reason or a very bad reason for the rate increase.

	ROTATE ALL	Very Good	SW Good	SW Bad	Very Bad	DK/REF
48.	In the past, over 85% of the power Cowlitz PUD provided its customers was from hydropower, which is a cheap energy source. However, state law now requires electric utilities to buy or generate new renewable resources which are more expensive than hydropower.	1	2	3	4	5
49.	One of the main reasons that major employers choose to operate and hire workers in Cowlitz County is its energy costs are lower than surrounding areas. In order to ensure that businesses didn't cut jobs or move away due to higher energy costs, Cowlitz had to take action to keep energy costs down for employers.	1	2	3	4	5
50.	Cowlitz PUD has reduced the number of its employees and taken other measures to control costs but these expenses are only a fraction of the PUD's budget and savings are being overwhelmed by the cost of buying power.	1	2	3	4	5

51. Now that you have a little more information, I'd like to ask: compared with the cost increases you have seen for other goods and services, would you say the rate increase was reasonable or unreasonable? (IF UNREASONABLE:) Is that completely unreasonable or somewhat unreasonable?

Reasonable 1
Somewhat unreasonable 2
Completely unreasonable 3
DK/NA/REFUSED 4

Changing directions again...

52. Which of the following comes closest to your own opinion, even if neither is exactly your opinion? (READ AND ROTATE)

I don't feel like I have much control over the size of my monthly electric bill regardless of what I do 1
I feel like I could significantly reduce the size of my monthly electric bill if I committed to reducing my energy usage 2
Neither (DNR) 3
DK/NA/REFUSED 4

53. In your opinion, should the amount a person is charged for electricity be determined by that person's monthly income or by that person's monthly electricity usage?

Income 1
Usage 2
Neither (DNR) 3
Some combination (DNR) 4
DK/NA/REFUSED 5

54. From time to time, a local newspaper prints the ten highest employee salaries for the PUD and several other local government agencies. Have you ever seen these lists?

Yes 1
No 2
Can't recall (DNR) 3
DK/NA/REFUSED 4

55. Do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

56. Compared to similar sized PUDs, do you think the salaries of Cowlitz PUD employees are higher, lower or about the same?

Higher 1
About the same 2
Lower 3
DK/NA/REFUSED 4

STUDY 12-015

57. According to the Longview Daily News, the ten highest paid employees at Cowlitz PUD are paid between \$116,000 and \$177,000 per year. After hearing this, would you say Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable? (IF TOO MUCH:) Is that way too much or only somewhat?

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Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

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58. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that to attract and retain a skilled workforce that can operate high-tech equipment and keep infrastructure running safely, Cowlitz needs to pay competitive salaries that attract talented workers. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

59. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that the wages paid to Cowlitz PUD employees are determined by paying wages comparable to those with comparable jobs at similar electric utilities in Washington, Oregon and Idaho. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

60. Some say ratepayers are getting huge electric bills to pay for expensive salaries at Cowlitz PUD. Others say that it is unfair to blame employees for electric bills. Even if Cowlitz PUD went as far as to cut the salaries of every single employee in half, it would only reduce the average customer's bill by less than seven dollars. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much.....1
Somewhat too much.....2
Reasonable.....3
Not paid enough (DNR).....4
DK/NA/REFUSED.....5

Cowlitz PUD invests millions annually into infrastructure maintenance. I'm going to read you a short list. Keeping in mind things such as electric rates and the economy, please tell me whether you think that it is very important, somewhat important, not too important, or not at all important for the PUD to do each of the following in the next 3 years. Here is the first one...

	ROTATE ALL	Very import	SW import	Not too import	Not at all	DK
61.	Invest to maintain service reliability and maintain a low power outage rate	1	2	3	4	5
62.	Invest to maintain the safety of existing infrastructure	1	2	3	4	5
63.	Invest to plan for county population growth and increasing energy demand	1	2	3	4	5
64.	Clean renewable energy investments	1	2	3	4	5
65.	Investing in new technology to help customers better manage their energy use	1	2	3	4	5

66. When you receive Cowlitz PUD's monthly newsletter in your bill, do you generally... (READ LIST)

Read it thoroughly.....1
Read it casually.....2
Read it some months but not others.....3
Never read it.....4
DK/NA/REFUSED.....5

67. What is your primary source of news concerning your local community: printed newspaper, radio, local television news, friends and family, online news sources, or something else?

Printed newspaper 1
Radio 2
Local television news 3
Talking with friend and family 4
Online news sources 5
Something else 6
DK/NA/REFUSED 7

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68. Do you receive The Longview Daily News? (IF YES:) Would you say you... (READ LIST)

Read it thoroughly 1
Read it casually 2
Read it only occasionally 3
Never read it 4
Don't receive (DNR) 5
DK/NA/REFUSED 6

Public Disclosure Commission

69. How much do you trust the quality and fairness of information in the Longview Daily News? (READ LIST)

A lot 1
A fair amount 2
Just a little 3
Not at all 3
Never read it 4
Don't receive (DNR) 5
DK/NA/REFUSED 6

I have just a few questions left for statistical purposes.

70. Which of the following best describes your age? (READ LIST)

18-34 1
35-44 2
45-54 3
55-64 4
65 or older 5
DK/NA/REFUSED 6

71. How long have you lived here in Cowlitz County? (READ LIST)

Less than five years 1
Five to nine years 2
Ten to fourteen years 3
Fifteen to twenty years 4
Twenty to twenty-four years 5
Twenty-five to twenty-nine years 6
Thirty years or longer 7
DK/NA/REFUSED 8

72. What is the highest level of education you have received? (READ LIST)

Less than high school 1
High school graduate 2
Some college or associates degree 3
Bachelors degree 4
Graduate or professional degree 5
DK/NA/REFUSED 6

73. Would you please tell me for the year 2011, was your household income before taxes lower than \$50,000 or was it at or above \$50,000?

Under \$50,000 1
At or greater than \$50,000 2
DK/NA/REFUSED 3

74. Would you please tell me which of these categories your household income fell into in 2011? (READ LIST)

- \$25,000 or less 1
- Between \$25,000 and \$50,000 2
- Between \$50,000 and \$75,000 3
- Greater than \$75,000 4
- DK/NA/REFUSED 5

75. Which of the following best describes your current employment status – employed, retired, unemployed, student or homemaker?

- Employed 1
- Retired 2
- Unemployed 3
- Student 4
- Homemaker 5
- DK/NA/REFUSED 6

That completes our survey. Thank you VERY MUCH for your time.

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OCT -7 2013

Public Disclosure Commission

ALL E GOT 10N

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ITEM 4A

Subject: Re: Strategies 360
From: Rick Parrish (rparrish@tdn.com)
To: mamccrady2005@yahoo.com;
Cc: jmarkon@tdn.com;
Date: Tuesday, October 30, 2012 5:50 PM

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Mark, I am out of the office and will look into this upon returning. I apologize but don't have answers right now. I have copied John on this so he can look into your note and provide me background.

Thanks for your patience, I'll be back in the office at the end of the week.

RP

Sent from my iPad

On Oct 30, 2012, at 3:01 PM, "Mark McCrady" <mamccrady2005@yahoo.com<mailto:mamccrady2005@yahoo.com>> wrote:

Brent Arnold, Communications Coordinator for Cowlitz PUD, delivered to Erik Olson today all of the contracts that we have with Strategies 360, a lobbying and consulting firm that Cowlitz PUD has used since 2009. The Board, early in 2012, directed our manager to develop a communication plan on how we are going to keep our citizens informed of the new programs we plan to roll out in 2013. Strategies 360 had just completed a similar project for Chelan PUD and the Chelan commissioners were very happy with the results.

To help get the information to Erik in a timely fashion, we waived the Freedom of Information Act rules and called S360 immediately to get permission to release the documents. We made every effort to comply as soon as possible.

You and I discussed this work when we met for coffee. Strategies 360 is the group that is working with Cowlitz PUD to develop a communications strategy to the ratepayers. One of their suggestions, as I told you at Starbucks, was to put aside our egos, buy advertising with TDN, and put the 2009 articles that sparked the recall of Ned and Buz in the past.

You asked me what the big decisions Cowlitz PUD would be making in 2013. My point was, the big decisions have been made. It is now all about implementing the new technology advances. 2013 will be the year to work on better communications with our customers as we roll out these new and exciting options. We need professional help to do this right. All of the great advances will be of no use if people are not aware of them. I will freely admit that our communications strategy, traditionally a weak point, stands to benefit greatly from Strategies 360's expertise.

My question is about the timing of all of this. Erik told Brent that his inquiries are a result of someone making the accusation that this work is being done to benefit my political campaign. Erik also told Brent that he was informed of these accusations a month ago. If Erik was approached a month ago, why did he wait until the ballots went out to raise this issue? When I complained to you that Erik did not cover our League of Women's Voters debate, you told me that TDN coverage of my race was complete. Has something changed?

Please share your thoughts with me when you have time. Sorry for the manifesto.

Mark McCrady

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ALLEGATION

Item 4B

OCT -7 2013

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The Cowlitz PUD Board of Commissioners, early in 2012, directed our manager to develop a communication plan on how we were going to keep our citizens informed of the new programs we plan to roll out in 2013. Strategies 360 had just completed a similar project for Chelan PUD and the Chelan commissioners were very happy with the results.

Here are the actions taken as a result of the latest Strategies 360 work.

1. The Cowlitz PUD website is in the process of being revamped.
2. We now have a larger presence in the social media world.
3. We have begun a community outreach strategy that will continue for years to come.
4. S360 is working with Brent Arnold, Cowlitz PUD Communications Director, to update our entire communications strategy. This includes weekly advisory sessions.

Strategies 360 has helped us on legislative issues since 2009. One example of their benefit is the \$400,000 grant that we received for water systems improvements while we were still in the water business. Complications delayed the money being allocated until after the system had been taken over by Beacon Hill Sewer District but it was still money brought back to Cowlitz County in part by the work of S360. Kim Adamson of BHSD can provide the details on which projects this money funded.

Erik Olson, TDN reporter, told Brent Arnold that his inquiries are a result of people making the accusation that this work was done to benefit the McCrady for PUD Commissioner political campaign. He also told Brent that he was informed of these accusations a month ago. My position on this is that these allegations are baseless and without merit. They are the words of a campaign that was unable to convince any of the groups doing endorsement interviews that they had the superior candidate. I interviewed with 13 different community groups and organizations, including The Daily News. All thirteen of these groups endorsed me.

The lobbying and customer outreach work that we have S360 do is valuable to our customers. We have spent millions of dollars installing the systems that will make their Cowlitz PUD experience more pleasant and save them money at the same time. All of this money will be wasted if we do not develop a plan to inform our ratepayers of these new and exciting options that are now available to them.

Mark McCrady

10-30-12

From: Brent Arnold <barnold@cowlitzpud.org>
To: 'Mark McCrady' <mamccrady2005@yahoo.com>
Sent: Tuesday, October 30, 2012 3:36 PM
Subject: RE: Please review

ALL INFORMATION

Mark,

I went to the Daily News to drop off the contracts to Erik. I told the receptionist my name (which she hacked up when telling Erik who was waiting for him). When he came out he said, "Oh, hi Brent, I didn't realize that it was you who was waiting for me". He seemed sincere.

When I handed Erik the contracts and additional information, I said, here is the document that shows when the relationship with S360 started in January of 2009. I also said here are the all the contracts and, this paper shows the discussion we had during a BOC meeting in February about expanding S360's role. Sandy has marked the page that pertains to our discussion. I then waited for Erik to say something. He waived the contracts and said, I don't know what will become of this, but it is good to have them.

My feeling, based upon his tone and body language is that he didn't think there was a story (because there isn't). That said, you never know what Andre will require him to do.

Thanks,

Brent

Brent A. Arnold
Marketing Coordinator
360.501.8146
barnold@cowlitzpud.org



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Public Disclosure Commission

From: Mark McCrady [mailto:mamccrady2005@yahoo.com]

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December 9, 2013

DEC 12 2013

Philip Stutzman
Director of Compliance
Public Disclosure Commission
711 Capitol Way RM 206
Olympia, WA 98504-0908

Public Disclosure Commission

Thank you for providing me an opportunity to respond to the complaint that the PDC received from Commissioner Ketcham on July 8, 2013. I am sure you share my frustration on not receiving a response to these additional allegations before now. I can assure you no one would like this matter to be over more than me. Having said that, as you are aware, on July 17, one week after you sent the complaint to me, and one week prior to your original response deadline, I made a public records request to the PUD. That request was clearly identified as being related to my ability to defend myself against these unfounded allegations.

We are now in December, four and a half months since my records request. While the PUD has provided some responses they have not as of yet provided records that I believe may be most beneficial to my defense, including emails from Don McMaster, PUD General Manager, and Gary Huhta, acting GM at the time of the submittal of the complaint. This dilatory conduct has both delayed and impeded my ability to access documents necessary to fully respond to the complaints and to defend myself. I have previously shared with you my reluctance to submit a response prior to the PUD complying with our State's public records laws and disclosing records that I anticipate will be of significant importance in responding to these allegations.

Given the continued decision by the PUD not to provide a "prompt" response, as specifically provided for under Washington law, I have reluctantly concluded that I will attempt to respond to the allegations at this time, without the benefit of full records disclosure. I am no longer willing to have this matter drag on well into a new year.

I believe that my response will clearly demonstrate I did not violate RCW 42.17. I also believe that my response will demonstrate that Merritt Ketcham knowingly made allegations that were not true, did not demonstrate proper diligence in researching these allegations, has been at least disingenuous in these allegations, and by doing so violated the certification and oath made when the complaint was submitted.

I believe the evidence suggests that Ketcham solicited additional issues from employees that he could construe as additional violations. A certain number of employees complied with his solicitation, others did not.

With regard to the environment at the PUD, in the six months from January 1 through June 30, not only had Ketcham and Anagnostou terminated me, they also pushed out the executive secretary, an excellent employee of over 30 years, and a knowledgeable and experienced HR manager, (and in the process requiring her to sign a gag order, in

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return for a very modest continuation of certain benefits). The governmental affairs manager, a relatively recent Vanderbilt Law School grad also chose to leave at that time because he did not want to continue to work for the new regime. And recently Anagnostou and Ketcham censured the third commissioner

I will leave it to you to consider the undisputable facts associated with the current PUD environment, the six month delay in these additional allegations, and if Ketcham's description to which he took an oath is likely most plausible explanation for what has and is occurring with these allegations and related activities.

The allegations regarding information compiled in response to a sitting commissioner on issues being publically discussed is a routine function of the staff. The obligation to provide information to commissioners does not stop because the request comes during an election year. The allegations arising out of the preparation of the customer survey also is without merit. The commissioners were actively involved in attempting to better understand customer concerns and to find ways to better improve communication within the service area.

Response to Allegation #4 – I do recall making the call noted in the complaint. However, I have no recollection, nor does the evidence submitted show that I asked Gary Huhta to prepare a "campaign briefing document" for McCrady. By Mr. Huhta's own note I did not request a "campaign briefing document", or one that attempted to interpret the issue in question in any specific way to McCrady's liking. Mr. Huhta responded with a factual summary of the cost cap provisions of I-937, a list of the 17 utilities governed by I-937 and his professional conclusion with regard to whether or not the PUD could demonstrate compliance with I - 937 by means of the cost cap. I did not ask him to reach any conclusion or provide any particular "spin" to his answer, or send it back to me for any modification or correction for any particular end. I simply forwarded to him, the PUD staff person most knowledgeable about such matters, a request I received from McCrady, and Huhta responded directly to McCrady.

I do not recall having specific knowledge of how McCrady would use this information. I do know that the issue of how the PUD complied with the requirements of I-937 was a matter of public discussion, including, but not limited to questions from Anagnostou. At the August 14 Board of Commissioners meeting Anagnostou raised the issue of 937 compliance. At that meeting Huhta provided the bulk of the response to Anagnostou. (**See Response #4-A enclosed**). The nature of that Board meeting discussion, the cost of compliance and if the PUD couldn't have somehow spent less to comply than it did, was essentially the same as the emails in question.

This allegation is the first of three all of a similar nature (#4, 5, and #7). Each of these seems to fundamentally imply that an elected official cannot ask, nor can an appointed official provide information about matters of public discussion during an election. The issue of I-937 costs, how the PUD complied with the initiative, and how those costs drove rate increases was much discussed by the PUD and in the community well before

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the filing deadline for the 2012 election. The 2012 PUD Commission race was not the first, last or only time this issue was discussed, nor was McCrady the only commissioner who asked similar questions. McCrady's requests for information were not significantly different in 2012 than other years of his term. I believe a combination of his prior public service with the City of Longview, the fact that he seemed to be out in the public a lot, and his basic approach to interacting with his constituency resulted in McCrady probably making more requests for information than most, if not all of the 20 elected officials I have worked for. **Response #4-B**, from October 2011 is indicative of McCrady's requests for information, particularly at such time budgets and rates are being considered.

Response to Allegation #5 – This allegation states that I asked Heather Allen to create some sort a "talking points" document for McCrady. However, the evidence submitted does not support this allegation. What has been submitted is Ketcham's false characterization of normal work activities and a statement submitted (I believe at Ketcham's request as evidence included in this response demonstrates) by Allen stating that the work she performed was for these alleged "talking points". I would note that the evidence submitted by Ketcham contains no such documents that can be defined as a "talking point" campaign document.

I did receive a response from the PUD to my request for copies of emails between myself and Allen. **Response #5-A and #5-B** are examples of the work that Allen was working on. I don't think anyone could reasonably characterize these graphs and numbers as campaign "talking points". In her testimony Allen refers to benchmarking work, citing the use of APPA and WPUA data. I did request that she do some benchmarking and data collection in 2012. Frankly Allen did not know the purpose of this request, at least not for some time.

I asked Allen's supervisor, Royce Hagelstein to have Allen do this work for two reasons. The first is that I knew that her workload was not particularly heavy. Second, which relates to the first, I wanted to see how well Allen performed the requested tasks. My purpose in compiling and analyzing this data was that I was considering staff reductions. A large rate increase, coupled with associated budget reductions, particularly on the capital budget side, and the completion of our power generation projects resulted in the need to assess potential staff reductions. This is demonstrated in **Response #5-C** which is email correspondence between the previous HR Manager and myself, the then COO Don McMaster, and CFO Trent Martin regarding how staff reductions and early retirement offers might be implemented. **Response #5-D** is an email from me to the Board forwarding the same email.

The purpose of the benchmarking work was to get better information regarding how our spending compared to other comparable utilities, disaggregated by utility functional area. This was to get better information on answering the question, are we spending too much, do we have too many people, and if so how many too many, and where are they in the organization? It appeared that we were probably heavy in certain areas,

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including administrative costs. This is the sort of things ^{Public Disclosure Commission} General Managers occasionally have to do.

Finally, as noted above, I have made a document request to the PUD. One of my requests was "All emails between Heather Allen and Brian Skeahan from May 1, 2012 to December 31, 2012". Of course this period of time covers the full duration of any campaign as well as the period of time these alleged "talking points" would have been worked on. This is one request to which I received a response. That response contained approximately 45 emails. I have printed out each and every one of these (**Response #5 – E**) and have included them with my response. Let me reiterate, if one assumes the PUD complied properly with this request, these emails are every email between Allen and myself during this period of time. If, as Ketcham and Allen allege, the primary purpose of this benchmarking work was McCrady's campaign, then one might think that somewhere over the course of 45 emails spread out over seven months the words campaign, talking points, Anagnostou, or election might appear somewhere. Based on my review they do not, and I challenge you to find any indication at all that this work was campaign driven, rather than normal course of PUD work, as I believe my evidence indicates. (Fortunately most all of these emails are brief).

I have gone to this trouble, and request that you take the time to do so too in order to demonstrate a point about these allegations. In these allegations Ketcham is simply trying to characterize work performed in the normal course of PUD business as campaign related. Furthermore his "evidence" is simply more allegations made by employees he solicited to support his allegations, with no evidence to back them up.

As evidence of Ketcham's solicitation I submit **Response #5 – F**. This is an email from then Acting General Manager Huhta dated June 15 to Allen, Hagelstein, and Martin. **In it Huhta asks them to "look to further developing" their previously prepared statement. In the email he informs the recipients that "Enclosed is the original 1/18/13 claim filed by Buz, as well as a new item that Buz intends to file, you can use these as examples for the type of information to be included in your statements."** Also included in is an email dated June 4, from Huhta to the same recipients, soliciting these written statements.

These emails explain the uniformity of dates on which Allen, Hagelstein, and Martin's statements were written. It clearly indicates that this testimony was solicited, thereby casting considerable doubt on Ketcham's statement, made under oath, that these were voluntarily brought forth after the "hostile work environment" went away. These individuals were coached by Huhta who received direction from Ketcham as to what the statements should say, and that Ketcham drafted his complaint **before** these statements were written.

Had the PUD fully complied with my records request I believe I would have additional records demonstrating that Allen, Hagelstein, and Martin's testimony was solicited and directed by Ketcham through Huhta.

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Response to Allegation #6 – Resolution 2616 was a well-meaning, but particularly well thought out political decision by the Board, one made without the benefit of sufficient staff input. Implementation of Resolution 2616 was certainly a long drawn out affair. But it was not an attempt to aide McCrady's campaign. Resolution 2617 was the Board's attempt to make a politically popular decision, eliminating merit / evaluation based raises for the highest paid PUD employees, which absent Board action were required to be provided under Board policy. While doing that the Board was also aware that, based on salary comparisons also required by Board policy PUD employees were below market. In fact the Board, in two, if not three strategic planning sessions had identified the PUD's ability to recruit and retain employees as their number one strategic goal. Torn between their policies and strategic plan on one hand and the bad economy on the other the Board adopted 2616, eliminating the merit raises for 2009 while incorporating as part of the resolution the language "The General Manager is hereby authorized and required to establish those compensation adjustments necessary ensure the 2009 deviation of HR-3 as set forth above shall have no adverse impact on the retirement benefits of those listed herein". Frankly nobody really new how that was to be done. And initially there was no compelling reason to try to make that determination.

Eventually three of the employees impacted by 2616 began to plan their retirement, and thus asked how the resolution was to be implemented. I believe this happened in 2011. This resulted in a not insignificant dispute between HR Director Robbie Berg and Hagelstein and Brachvogel. The latter two individuals took the position that the Department of Retirement Systems could and would somehow adjust the PERS checks to make the employees "whole" in their retirement as required by Resolution 2616. Berg was adamant that DRS would not do that, based on her experience with the City of Longview prior to coming to the PUD. This internal discussion went on for some amount of time without resolution or either side being persuaded by the other. At some point I instructed Hagelstein to inquire with DRS about the matter. That resulted in a series of emails that began in late 2011 and appear to have continued into June of 2012. **Response #6 A.** DRS determined essentially that Berg's interpretation was essentially correct, and that Hagelstein and Brachvogel were wrong. DRS would not adjust PERS amounts to reflect the foregone raises. Hagelstein then began to work on an alternative method of complying with the resolution by making some type of payment to employees outside of the PERS system. A series of emails were exchanged between Hagelstein and the State Auditor's Office on approaches. **Response #6-B.** Sometime in March Hagelstein came up with a plan that the SAO appeared to approve of. I then asked Brachvogel to prepare a legal opinion on the matter. I would point out that the in asking for the opinion I provided absolutely no guidance or direction in its preparations. I believe that opinion was later reviewed and approved by outside counsel. It is contained in **Response #6-C.** At some point checks were issued to Roden, Lafady and Lloyd. As it relates to these allegations I would point out that my recollection was that these checks were issued after the filing deadline and hence after the campaign had ostensibly started. The Board was verbally made aware of the payments, but I do not recall an email exchange. More importantly, the Board received the Brachvogel's legal opinion in March, indicating that their Resolution 2616 required

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payments to be made, and that "No approval, consent, or authorization of the Board is necessary as condition precedent to making the payment." Based on this legal advice no formal action was taken by the Board for either these three initial payments of the later payments. Frankly this is how I believe all of the Board wanted this matter handled. Having said that Board members, including but not limited to McCrady expressed some concerns regarding the amount of the payment made to Roden. Based on those concerns I stopped the process from moving forward to make the remaining payments. I came to believe that Hagelstein's methodology was reasonable, if a bit confusing. More problematic in my opinion is it was Hagelstein's methodology, and Hagelstein was to receive a payment under his methodology. Thus I asked that an outside party be retained to review the Resolution. Martin identified the actuarial firm Heintzberger & Payne and took the lead for getting them on Board and getting their opinion. I believed this was important as Martin was not employed in 2009 and thus would not receive a payment under 2616. Martin was the primary and almost exclusive interface between PUD and the actuary. I did not have a single phone discussion or email exchange with them to the best of my recollection. I would draw your attention to the correspondence between the actuarial firm and the PUD contained in **Response #6-D**. The date on which the actuary sent his final letter supporting the reasonableness and appropriateness of the methodology and accuracy of the calculations is November 2, 2012. On November 9 and 10 Hagelstein then sent memos to the Board informing them of the conclusion of the process and essentially payments were to be made.

Response #6-E.

While well meaning, it was probably a poorly thought through decision by the Board. Had Brachvogel and Hagelstein respected and accepted Berg's opinion on DRS's likely determination the matter would have been resolved much earlier. When the DRS determination was made we could have gone back to the Board and suggested the Resolution be rescinded, however the PUD's General Counsel would have informed them there was potential liability for doing so. I believe that his opinion cut off any opportunity for reversing course. I could have come up with the idea of the outside firm earlier. But having a problematic implementation of a poorly conceived resolution of an employee compensation matter does not constitute a violation of 42.17. All that has been submitted is Ketcham's allegations supported by more testimony and allegations.

While problematic and time consuming, ultimately this matter can be summarized as the Board approved a Resolution drafted by its General Counsel. The DRS and SAO were consulted on its implementation. The Board (all of the Board) was kept abreast of the matter, notwithstanding all of their desire to somewhat wash their hands of the whole matter. A legal opinion was sought and provided by in house counsel and reviewed and approved by outside counsel. Outside consultants were brought in to review and approve the methodology. The Board was notified by its internal auditor that the review was finally complete and the checks would be issued.

Of course now Ketcham wants to characterize the implementation of 2616 as part of my attempts to campaign for McCrady, (as he attempts to characterize most of my activities in 2012.) At the same time he is now claiming amnesia on this whole affair. **Response**

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#6-F is a newspaper article from the Longview Daily News. In it Ketcham states "he thought the employees would see small adjustments to retirement pay, not cash payments. He said commissioners did approve the vouchers at the end of last year but he thought the payments were a result of employees cashing out vacation pay". I would refer you back to **Response #6 E**. These checks were likely approved at the November 13, 2012 Board of Commissioners meeting, and processed with the pay period November 16, 2012. That Board meeting was three days after Hagelstein's memo listing the people who were to be paid and the specific amounts. To believe Ketcham's statement to The Daily News is to believe that in three days' time he forgot not one but two memos received from Hagelstein precisely itemizing some unusual payments (some of which somewhat large), to a specific group of employees and only those employees. Alternatively one can conclude his statement is knowingly and purposefully false.

Hagelstein's statement in allegation #6 also recounts an interesting interpretation of a conference call with the Fitch rating agency. In it he somehow tries to characterize a discussion with a rating agency as somehow assisting McCrady's campaign. Just how a discussion with New York or San Francisco rating agency analysts would benefit McCrady's campaign is not at all clear to me. What is clear to me, (and clear to Hagelstein as a former Cowlitz PUD CFO involved in several ratings associated to bond sales prior to his reassignment / demotion to the Auditor position) is the importance the rating agencies place on a utility's governing body to raise rates when necessary. In **Response #6 -G** both Fitch and Moody's clearly point out that the willingness of a governing body to raise rates and maintain proper financial metrics is critical to a solid bond rating, and conversely a lack of willingness to do so is not commensurate with a good credit rating. Fitch describes this as being "of paramount importance". Moody's states "Political Risk that impedes a utility's willingness to enact rates and charges sufficiently and quickly to maintain the associated financial metric for a utility's rating category would result in a lower score assigned to this rating factor." The referenced rating factor was weighted at 25%, one of if not the most heavily weighted factor in determining ratings. Notwithstanding Hagelstein's characterization, I had an obligation in the rating surveillance call to inform the Fitch analysts of the discussion regarding the Board's previous rate actions in the then current commissioner's election. The material from Fitch and Moody's could not be more clear, and on calls such as these I am obligated to inform the analysts of local events and conditions, including those regarding the governing board. Anagnostou was basing the majority of his campaign as being against the rate increase. **Response #6-H** represents his campaign. In fact he drove all over town in his pickup with the circle slash over the words rate increase. I simply informed the analysts of what Anagnostou was saying regarding rate increases and how that related to their ratings criteria.

I would like to reiterate that Hagelstein knew, as did I the importance of a governing board's willingness to raise rates when necessary. He knows we had an obligation to discuss the political climate with the ratings analysts. And yet in this allegation he attempts to characterize this conversation as somehow being campaign related. Once

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again this should give the PDC considerable pause in assessing those making and supporting these allegations. ^{Public Disclosure Commission}

Allegation #7 – This allegation is very similar to #5 so given that, and the length of my response I shall try to respond relatively briefly. I would also note that the purported evidence submitted is essentially limited to Martin's characterization of alleged verbal discussion between him and myself. I did notice that Martin explicitly acknowledge that he had no email evidence to support his / Ketcham's allegations.

I have already responded to the rating agency matter above so will not reiterate any of that. Regarding the list of items Martin provides in his response to Ketcham's solicitation, I find none that are campaign talking points. The first, third, seventh, and eighth bulleted items on Martin's list were part of the same work discussed in my response to allegation #5, and in some cases the very same work product. The remaining items were either part of the effort to better understand our financial situation and how we got there, and / or part of other preparations for the 2013 budget. I find it disingenuous that the CFO of a quarter of a billion dollar public entity, when asked to provide historical, current and projected financial information, precisely at the time of year work begins on budget, would describe his work obligations as being asked to participate in preparation of campaign materials.

I will acknowledge that Anagnostou raised questions regarding debt generally, wind project costs specifically, and AML (automated metering infrastructure) costs through official requests as required by the PUD General Counsel. While Anagnostou raised questions, he was not alone in having questions or concerns regarding these matters. Anybody who has paid any attention to the news over the past several years is aware that issues associated with public sector indebtedness have been a particular concern for some portions of the public. Automated metering has received pockets of pushback for reasons ranging from purported health impacts of the meters, to the concept of "big brother will be listening" to costs and benefits. Given these issues were in the public eye it is not surprising that elected officials would want staff to provide information to them or that information on matters of public debate be communicated to the public.

Phil, you seemed to have suggested in previous conversation that one thing (among others) you look for in assessing these allegations is how much time or effort goes into preparing information that *might* be used by an incumbent candidate. There were several items on Martin's list that piqued my interest because I thought they were existing documents, so I requested them in my public records request, and have received them. If you are familiar with Word and Excel documents you can search their properties to see a variety of things, including when they were created and by who. The document Bond Summary Overview was created on December 6, 2007 at 11:50 am by then CFO Mike Benjamin. The document Wind Project Summary Net Margins was created by Hagelstein on October 17, 2011 at 7:22 am. (I would note the information in this document was routinely placed in my budget transmittal memo to the Board). The document Swift Canal Failure Insurance Proceeds was created on June 11, 2012 at 7:10 pm (well before I recall any significant campaign activity) by Bruce McLean, who

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worked in accounting. However I know this information was previously kept in a variety of ways for years as the Swift reconstruction and associated insurance company litigation was completed in the mid to late 2000's including a very brief summary on yellow sticky notes taped on my credenza. So Martin appears to be claiming that providing the organizations General Manager preexisting documents of financial information prepared by someone other than himself constitutes a significant expenditure of public resources on behalf of a campaign.

Allegation #8 – In this allegation Ketcham characterizes the work performed by Strategies 360 in 2012 as essentially campaign work on behalf of McCrady's election. This allegation is exceptionally disingenuous by Ketcham to such a degree that I have been informed by a lawyer it may be grounds for a civil action against him. Ketcham, as well as Piper and McCrady were aware of and supported the communications plan that S360 was retained to help staff develop. I will show that Arnold, through emails sent in 2012, directly contradicts the testimony he provided. I provide evidence that strongly suggests Arnold's testimony was solicited by Ketcham.

By way of background all three Board members were long frustrated by what they felt was unfair treatment by the local media. This unhappiness pre-existed my arrival at the PUD in 2003. In my experience complaints about media treatment are not uncommon

Over the years the Board requested various approaches to communicating with the local paper and other media outlets and other vehicles including monthly newsletters in bills, and customer surveys. In 2011 Dave Andrew, the longtime staff member who had been in charge of community and governmental relations, including our communications efforts, took another job within the PUD. The Board was interested in bringing in someone from outside the organization to fill the communications portion of the job. (The governmental relations portions were already being transferred to another staff person one who left the PUD shortly after I did as a result of my departure). The Board was also interested in doing a customer survey, as they had twice previously, but additionally bringing in some outside help in assisting with a review and recommendations for our communications approach. The PUD had a pre-existing relationship with the S360 firm which had served the District well, so that firm was retained to help Andrew, (who while transitioning out of the role was still involved in at higher level) and Arnold, who initially reported to Andrew. The Board was very involved in this effort from the beginning throughout 2012.

In his complaint (again, made under oath under penalty of perjury....that this complaint is complete, true and correct to the best of my knowledge and belief) Ketcham states that "S360 was hired to conduct a telephone survey in March of 2012 that was specifically drafted by Skeahan to, among other things inquire into the political popularity of the three sitting commissioners." Ketcham's statement that I drafted the survey is false, and he knew it to be untrue when he filed the complaint against me. **In Response #8-A** you will find an email from me to McCrady, Ketcham, and Piper dated March 1, with copies to Andrew (signifying his continued involvement) and Arnold. (The lack of any testimony from Andrew in this matter is conspicuous and should be noted by

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the PDC). The email states "This is the final version of the poll. If you find something you can't live with let Dave or Brent know first thing in the morning. The guys we pay to know this stuff think this is pretty much it and there is a method to it." This email forwarded an email from S360 to other S360 staff and myself, Andrew, and Arnold which contained the final draft of the actual survey. It is clear from this correspondence (and would be more clear with a more extensive records request response) **that S360, not myself, drafted the survey, the Board was made aware of the survey and in fact had final sign-off of it, thus demonstrating that Ketcham's statement is false.**

This was not the Board's first involvement with the S360 work and associated communications plan. **Response #8-B** is an email dated February 16 (prior to the 8-A email) from me to all three commissioners regarding the S360 community leaders' interviews". It also contains a list of names submitted by each commissioner and asks for the commissioners' approval prior to finalizing the list of people to be interviewed. **Response #8-C** are two emails from me to the Board dated March 8 and March 16. The first is an email from me to all three commissioners forwarding an S360 email about their attendance at the focus group meetings. The second is an email from me to all three board members forwarding an email to me from Arnold. As shown in the email one of the commissioners had requested a DVD of the focus groups meeting done in the previous survey demonstrating previous surveys were performed prior to this on and the Board's awareness of the focus group element of the effort (this was a separate element from the community leaders interviews). **Response #8-D** is a copy of the March 13 Board of Commissioners meeting where I inform them that S360 had begun the actual phone survey. As seen from this evidence, Ketcham as well as the other two commissioners were well aware of the S360 work.

I am aware that in his complaint that Ketcham alleges the communication effort evolved into something designed to assist McCrady's re-election bid. Thus I would like to now turn your attention to a significant component of the back end of the effort. It was determined by all parties, including the commissioners that a series of public meetings would be held from fall through early winter to discuss various PUD issues with the public. The last meetings were held November 13 and December 4 both after the election (with the latter meeting in the second largest population area of all the locations). The Board of my previous employer, Klickitat PUD did similar meetings. Contrary to Arnold's allegations, the timing of the meetings coincided with the preparation of the following year's budget and work plans, and in years necessary, rate actions. It had nothing to do with elections as they were done annually in Klickitat, not just in election years.

It should be further noted that all the Commissioners were invited to participate in these meeting. As can be seen in **Response #8-E**, at the time this document was created Ketcham was scheduled to attend two of the meetings while McCrady was only scheduled for one. Based on my recollection Ketcham and McCrady attended more than scheduled and probably each attended more than did Piper.

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That notwithstanding the pertinent question is, if the communication plan evolved to a McCrady campaign effort, then why were meetings held after the election? More interestingly, if Ketcham believed this effort was intended to improperly aid McCrady's campaign why did he attend them, and why did he not voice his concerns at the time?

The fact of the matter is that he was fully aware of and involved with all aspects of the 2012 communications effort and didn't complain about it being a McCrady campaign effort because it was not, and he did not believe it was until it became politically expedient for him to make these allegations. They were made seven months or more after the community meetings and almost eighteen months after the initiation of the survey work. And he cannot plausibly claim ignorance of these events, only coming forth after the end of the hostile work environment resulted in employees spontaneously coming forth with allegations. With this allegation Ketcham didn't have a front row seat to this game, he was actually on the field as the starting left tackle.

In his statement Arnold attempts to portray the 2012 communications plan as a McCrady reelection effort. This issue was raised during the campaign by one of Anagnostou's supporters who took his concerns to TDN. In **Response #8-F** you will find an email dated October 30, 2012 from Arnold to McCrady regarding this matter. In it Arnold relates going to speak to the TDN reporter who covers the PUD regarding Anagnostou's issues with the S360 work. Arnold relates taking to TDN the S360 contracts and the reporter's response to their discussion. The email concludes "My feeling based on his (TDN reporter) tone and body language is that he didn't think there was a story (because there isn't)". So on October 30, just a week before the election, in an unsolicited comment in an email Arnold essentially states that there isn't a story there about the S360 work being a campaign effort. Either that statement was false, or the statements he made in support of Ketcham's allegations is false.

In **Response #8-G** I am again inserting Gary Huhta's email of June 14, 2013 to Arnold, Allen, Hagelstein, and Martin. You will again see Huhta's solicitation of statements, and the forwarding of Ketcham's complaints to these staff. You will also see Arnold's response of June 17, where he states "Please let me know if this is any better for you. I am sorry that I am not able to come up with any more detail than what I have." In this response it is obvious he is attempting to submit something to satisfy someone's expectations, expectations that might not have been met with an earlier submittal; "let me know if this is any better for you." He acknowledges he doesn't have much detail to support his allegations and apologizes for that; "I am sorry that I am not able....."

More telling is **Response #8-H**. It contains an email exchange between Ketcham and Arnold. This email was contained in response to my records request, and is one of 465 emails between Arnold and the Board or five senior staff 164 of which appear to include Ketcham based on that search criteria. It clearly shows Ketcham directly involved in soliciting Arnold's statement. On June 28 at 11:10 am Ketcham sends Arnold an email asking a question about material Arnold provided Huhta, apparently in response to

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Ketcham's request (and by doing so again demonstrating the extent of Ketcham's involvement with Huhta). Ketcham seems to be of the understanding that there may have been two surveys taken one for customers and another for registered voters.

Arnold responds at 11:24 with a rather confusing and bizarre response discussing four different drafts of the survey with dates ranging from August 24, 2011 (the S360 contract for the survey work was signed January 25, 2012 by S360 and Feb 1 2012 by me) to three dates at the end of February to early March 2012 which would be logical dates for iterations of survey drafts. Frankly Ketcham seems to have Arnold wondering about the mystery survey that I clandestinely performed and referenced in Ketcham's June 28 11:10 email. At 11:34 Arnold replies to Ketcham with "I have no idea when/if the survey was carried out. Since I started on October 10, 2011 I have not heard anything about a political survey." And yet this email did not keep either Ketcham or Arnold from alleging that the survey was for political purposes.

Response #8-I contains the first page and signature page of the S360 contract outlining their scope of work for the 2012 communication plan. Also included is an email dated July 10, 2013 from Al Aldrich of S360 to Don McMaster, current PUD GM, Paul Brachvogel, current PUD general counsel and Dave Andrew. It this email Aldrich addresses what I believe to be Ketcham's characterization of the survey as a "political tool". It contains several interesting things, including the fact that S360 staff met with all three commissioners individually in designing the survey. This again demonstrates their involvement, and more importantly demonstrates that S360 authored the survey, which then demonstrates that Ketcham's statement, that I authored the survey was wrong. The PUD's GM had this email on July 10, two days after the PDC received Ketcham's complaint. We know from previous evidence that McMaster was "in the loop" in solicitation of employees statements by Ketcham. Aldrich's directly contradicts one of Ketcham's allegations. It is difficult to believe that neither the PUD's General Manager nor its General Counsel would have not informed Ketcham of this email from Aldrich. Yet nobody at the PUD did anything to amend the complaint after receiving this information, letting the false accusation stand.

The email addresses several other interesting things, including the rationale behind asking questions regarding name recognition and favorability questions about the commissioners. Phil, I recall you raising this issue so I would urge you to read this email carefully. I think it provides the final word, from the people who are best positioned to know, about what the communications work of 2012 was, and was not. Bottom line—the survey was a commission driven effort that the staff implemented with the assistance of an outside consultant.

Submitted as evidence is Arnold's notes from an initial meeting with me. As it turns out I sent an email to all three commissioners about that very same meeting. **Response #8- F** is an email dated December 11, 2011. In it I asked Arnold to schedule time with each of the commissioners as a starting point on developing the communication plan, and concluded by saying "it will take a team effort, the Board, myself, Brent, Dave, and the informed insight of our S360 friends and the information that comes from the

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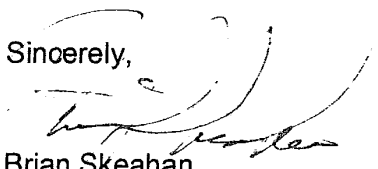
polling work. The end result should be a plan with clear tasks and timelines we all buy off on." again demonstrating the integral involvement of the Board.

Conclusion – Ketcham has made eight allegations of improper use of public resources to assist McCrady's reelection effort. These allegations are purportedly supported by evidence, which is essentially more allegations from certain staff members with scant real evidence to back them up. The motivation of at least some if not all of these staff members can be questioned, but what cannot be questioned, based on the evidence I submitted is that Ketcham made the second set of allegations and then solicited certain staff members to write statements supporting his allegations. I believe this was done because Ketcham, after spending countless staff hours and tens of thousands of public dollars doing investigations of me, could not come up with any real definitive evidence of me using public resources to aid McCrady. All he was left with is an attempt to characterize normal work as a campaign effort and soliciting / pressuring staff members to assist him.

That said, I am proud of my nine and a half years of service to the PUD. I inherited a very difficult situation and made significant progress in a number of areas. In Ketcham's allegations he went to great lengths to provide statements from certain staff members. In conclusion I would like to offer one as well. One not solicited from me in any way can be found in **Response Conc.**

While not pleased with the fact that, after almost five months of waiting for records I am responding without the full benefit a complete would accord me. However, I am very appreciative of your patience in awaiting this response, am now looking for a timely resolution of this unfortunate matter.

Sincerely,



Brian Skeahan

RESP #14-17

PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON

MINUTES OF MEETING OF COMMISSIONERS

August 14, 2012

John Searing Auditorium

Present:**Commissioners:**

Mark McCrady, President
 Merritt "Buz" Ketcham, Vice President

Edward 'Ned' Piper, Secretary

Staff:

Brian Skeahan, General Manager
 Don McMaster, Chief Operating Officer
 Royce Hagelstein, Auditor
 Dave Andrew, Dir. of Customer Services
 Heather Allen, Risk Manager
 Doug Wood, Dir. of Information Services
 Rick Syring, Dir. Technology Initiatives
 Diana MacDonald, Mgr. Environmental &
 Regulatory Services

Sandra Willman, Executive Assistant
 Paul Brachvogel, General Counsel
 Brent Arnold, Marketing Coordinator
 Gary Huhta, Dir. of Power Management
 Dave Whitman, Interim Dir. of Operations
 Trent Martin, Dir. of Accounting & Finance
 Ray Johnson, Dir. of Engineering
 Bob Essex, Sr. Power Resource Engineer

Public:

Chuck Tadlock
 Kurt Anagnostou
 Pat Dick

Media:

Betty Wilson, KLTV

Call to Order – Pursuant to published Notice, the Regular meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington was called to order at 2:00 p.m. by Commissioner McCrady.

Comments from the General Public – Commissioner Ketcham introduced customer Chuck Tadlock of Kalama. Mr. Tadlock briefed the Commissioners and staff on the history of the community water system where he lives. Nine residences out of the 22-lot subdivision have put in their own private domestic well. Mr. Tadlock shares a private domestic well with one neighbor. Their well is located 1,200 feet away from their homes, on property owned by neither homeowner, resulting in it being necessary to run a separate service and meter. Under the District's existing policy the metered well is being billed under Schedule 4, General Services. Mr. Tadlock's request is to amend our policy to allow private wells serving not more than two homes for private domestic use to be served under Schedule 1, Residential Rate. By defining private well in this manner PUD policy would be consistent with the definitions of State of Washington and Cowlitz County according to Mr. Tadlock. The Commissioners all agreed Mr. Tadlock's request was reasonable. General Manager Brian Skeahan said it will be addressed with staff and believes his proposal can be honored. Commissioner Ketcham will inform Mr. Tadlock of the outcome.

Kurt Anagnostou of Longview asked the question of what the penalty amount would have been if the District hadn't met the I-937 requirements. Commissioner Ketcham stated the most important priority is to obey the law. The General Manager added the wind projects were built not only to meet I-937 requirements but also to meet load growth. Gary Huhta, Director of Power Management, stated if the District failed to comply, the penalty would have been \$50 for

each megawatt-hour of shortfall, approximately \$7.2 million, this year. The penalty would be approximately three times that when the I-937 requirements increase in 2016 and be approximately five times that when the requirements again increase in 2020.

Public Hearing 2012 Integrated Resource Plan

Director of Power Management Gary Huhta provided a power point presentation summarizing the District's Integrated Resource Plan (IRP). Under RCW 19.280 electric utilities were required in 2008 to initially file their IRP with the State of Washington Department of Commerce with at a minimum a progress report every two years and a fully updated report every four years. The District is in load resource balance until 2016 and no immediate action is required. Reliance on the market provides the best combination of cost and risk at this time. If the District were to turn its focus to resource development in the near term, the IRP suggests biomass, wind, small hydro and Land Fill Gas would be good resources for the District to consider. The District every two years has the opportunity to revise the IRP. A copy of the report will be posted on the District's website for public information and comment. Comments received from staff and the general public will be considered. The final written report will be completed and presented to the Commissioners for approval at the August 28, 2012 regular Board meeting and submitted to the Department of Commerce prior to September 1, 2012. Customer Kurt Anagnostou made comment regarding the wind farms.

The Public Hearing concluded at 2:45 p.m.

Approval of the Minutes – The minutes of the regular Board meeting of July 24, 2012 were approved as published.

Approval of Vouchers of \$14,019,902.96 – The Commission reviewed vouchers audited and certified by Auditor Royce Hagelstein as required by RCW 42.24.080 and RCW 42.24.090 for which warrants were issued on August 14, 2012, under provisions of Resolution No. 1421. Motion was made by Commissioner Ketcham to approve the vouchers and seconded by Commissioner Piper. Motion carried. Warrants drawn to cover said vouchers are as follows:

<u>Fund</u>	<u>Warrant Nos.</u>	<u>Amount</u>
Accounts Payables	14620 – 15247	\$13,666,983.67
Payroll	August 3, 2012	352,919.29

Presentations and Reports from Staff / Directors (Informational, Non-Action)

Brian Skeahan, General Manager – Informed the Commissioners that BPA will be formally offering soon a proposal for a prepay of PF power. The prepay proposal will help increase BPA's capital funds. Under the proposal the utility would pay an amount of money to BPA for a discount although it will not be mandatory. After the discount has been set, a utility could choose to proceed with prepay or not. BPA will be capping the amount of prepay by each utility, however there will be a lot of flexibility built into the proposal. At this time it is premature to determine how beneficial prepay may be. If the Commissioners are interested, a workshop will be scheduled this fall.

Break: 3:40 p.m.
Reconvened: 3:50 p.m.

RESP #4-B

Peggy & Brian Skeahan

From: Royce Hagelstein
Sent: Tuesday, October 25, 2011 8:29 AM ←
To: Mark McCrady
Cc: Brian Skeahan; Sandy Willman; Trent Martin; Paul Brachvogel
Subject: RE: Need some information for Mark McCrady
Attachments: AF-1.Financial Policy.11-22-05.pdf

Hi Mark;

Attached is the financial policy that addresses each of the items below. I will also offer a quick overview:

1. Operating reserves – the policy suggests 60 days for O & M and Power Costs (or \$30 million in 2005) as an appropriate level. Since late 2006 when we purchased the prepaid White Creek power, we have been out of compliance. We were slowly gaining then we expended a large amount of cash on Harvest Wind. We are probably in the area of \$12 million, including the \$7.7 million in rate stabilization. This number will increase when we reimburse operating reserves with monies from our bond accounts. The issue there has been the closing of work orders.
2. Rate Stabilization Reserves (Fund) – Currently has \$7.7 million in it – probably sufficient with Fibre and Weyco taking an unmanaged Slice product.
3. Debt Service Coverage (DSC) Ratio – this has been the focus of late. The policy says it is not to fall below 1.5 for distribution system, 1.0 for production system and 1.25 overall. Production system is well above 1.0 and we are targeting 1.35 for distribution system. The formula for this is below and simply calculates the amount of cash generated by the organization (numerator) to pay all debt service on bonds. This amount needs to be 1.35 times.
4. Debt/Equity Financing – 40 percent of capital improvements should be from debt and 60 percent should be from rates. With the current rate increase we will generate about \$5.5 million in cash that we can use for capital – however, our reserves (number 1 above) should be addressed first. Trent will keep an eye on number 1 and then we can decide how much to surplus cash can be used on capital. The last discussion was for a capital budget of \$16 million meaning \$9.6 million (60%) should be financed out of rates. As I said, we will be generating \$5.5 million with the current rate increase.
5. Investment Policy – not a concern, our cash is mostly in the State Investment Pool and all investments are allowed by law.
6. Cost-of-Service Rate Base – this is a problem due to the inequities across rate classes. We can discussion in a post 2011 workshop, or sooner if you'd like.

Paul and I discussed this briefly with Orrick yesterday and we and Trent are trying to make sure we are in compliance with all requirements of our bond issues. I hope the summary is of value.

DSC

$$\text{Ratio} = \frac{\text{Net Margins} + \text{Interest Expense} + \text{Depreciation and Amortization}}{\text{Principal} + \text{Interest on Long Term (Bonded) Debt}} = 1.35$$

Royce

From: Sandy Willman
Sent: Tuesday, October 25, 2011 7:49 AM

11/20/2013

To: Royce Hagelstein
Cc: Brian Skeahan
Subject: FW: Need some information for Mark McCrady
Importance: High

Good Morning Royce,

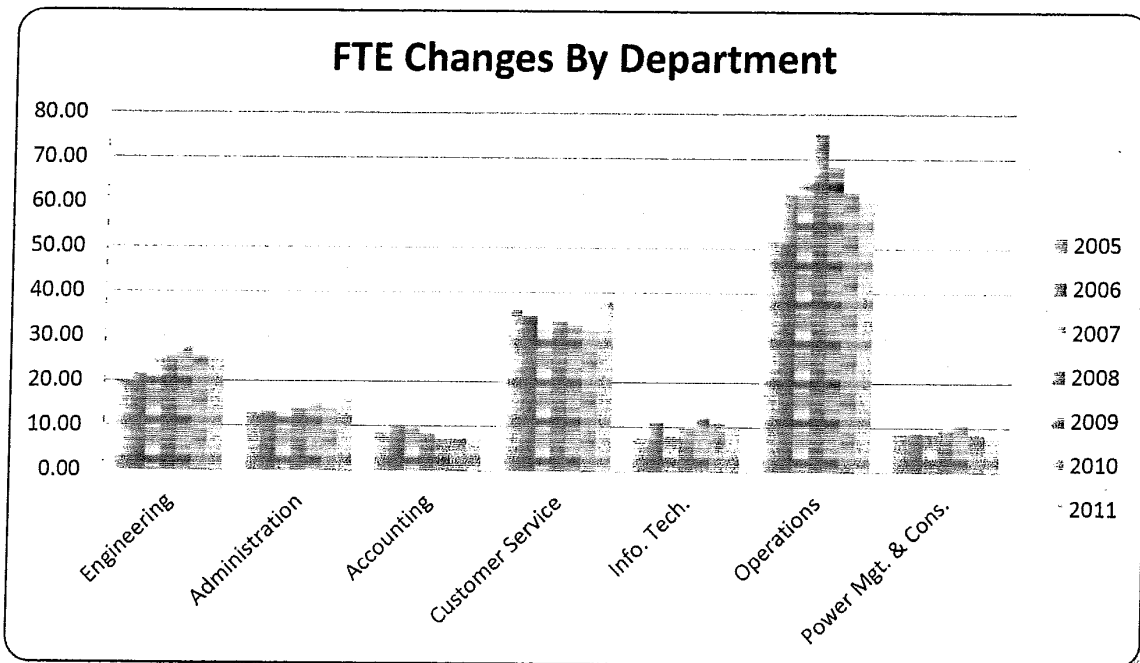
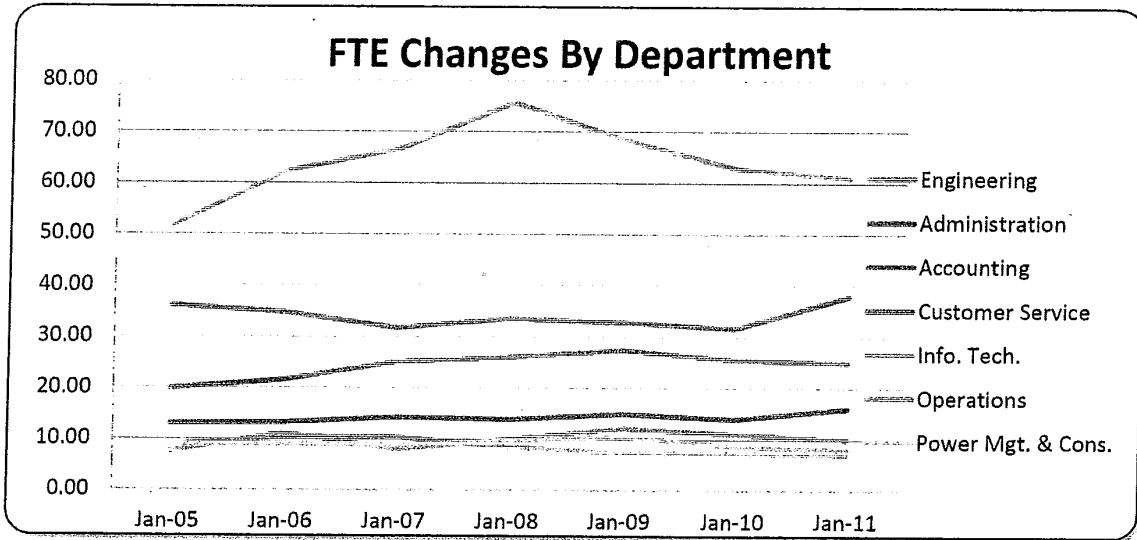
Please read Mark's email below. Thanks!
Sandy

From: Mark McCrady
Sent: Tuesday, October 25, 2011 7:46 AM
To: Sandy Willman
Cc: Brian Skeahan
Subject: Need some information

Sandy, please find for me a copy of our financial policy that provides the ratios for capital funding. I looked through the ones I have at home but I do not have that one. I also need the ones for debt service coverage and the ones that dictate the priority of where excess revenue should go. That would be about when money gets put into the rate stabilization fund vs funding capital. Royce should know what I am looking for. Also, nail me down today about WPUA annual meeting.
Mark

RESP 5-A

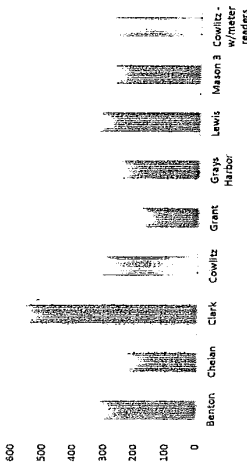
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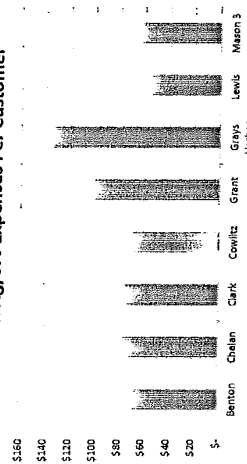
RESP 5-B

Company	Customers Per Employee	Operational Expenses Per Employee	Distribution Expenses Per Customer	Customer Acctg./Srv Expenses Per Customer	Admin & Gen Expenses Per Customer	Total Oper. Expense Per Customer	Residential Cost of 1500 kWh	Number of Customers	Operating Expenses (Excl. Power, Dappr. & Taxes) Per Customer	Operating Expenses Per Customer
Benton	317	\$	\$111,608	\$156	\$70	\$112	\$	48,197	\$16,964,371	352
Chelan	232	\$	\$144,507	\$212	\$77	\$166	\$	48,173	\$30,057,548	624
Clark	559	\$	\$130,588	\$56	\$76	\$101	\$	184,488	\$43,094,000	234
Cowlitz	12	\$	\$1,000,000	\$1,000	\$0	\$21	\$	48,173	\$21,171,365	454
Grant	184	\$	\$151,316	\$267	\$101	\$232	\$	46,351	\$38,131,607	823
Grays Harbor	260	\$	\$177,300	\$223	\$135	\$146	\$	45,613	\$28,366,020	682
Lewis	327	\$	\$108,158	\$154	\$56	\$101	\$	31,025	\$10,275,013	331
Mason 3	283	\$	\$136,352	\$223	\$64	\$158	\$	32,518	\$15,680,535	482

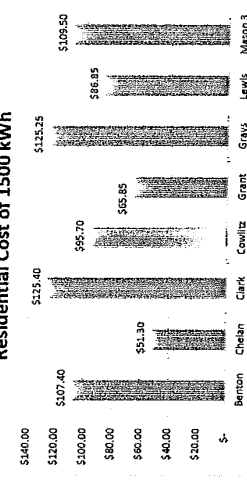
Customers (nongen) Per Employee



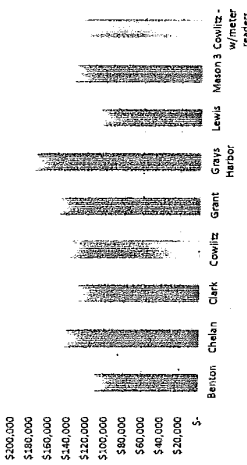
Customer Acctg./Srv Expenses Per Customer



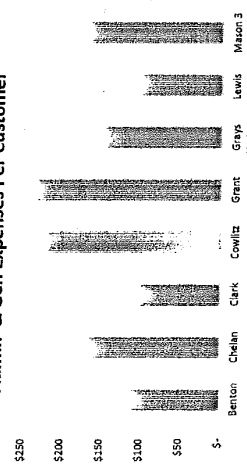
Residential Cost of 1500 kWh



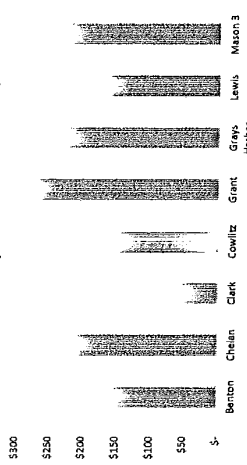
Operational Expenses Per Employee



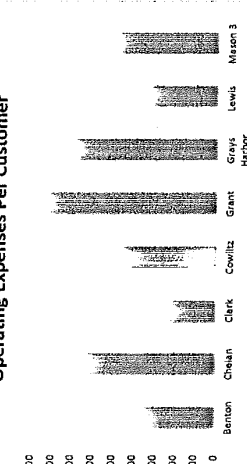
Admin & Gen Expenses Per Customer



Distribution Expenses Per Customer



Operating Expenses Per Customer



RESP #5-C

From: Robbie Berg
Sent: Friday, August 31, 2012 8:43 AM
To: Brian Skeahan
Cc: Donald McMaster; Trent Martin
Subject: Estimated 2013 Budget for Retirement Incentive Program

Brian,

As requested, Lora and I have pulled together the data needed to estimate the cost of a 2013 Retirement Incentive Program based on the following assumptions:

- Cash out of all outstanding Floating Holidays, PTO, Banked Personal Leave, and EIR if available at 2012 wage rates.
 - Balances in all accounts and current value of Banked Personal Leave was used.
 - EIR is computed as 20% of available balance per the personnel rules.
 - Balances for PTO and FH are as of 8/29/2012.
 - Balances for Banked Personal Leave are as of 7/31/2012.
- The following severance package was used:
 - 30 days severance for at least 5 years service **with the District**
 - An additional 3 days for each year of service between 6-15 years.
 - An additional 2 days for each year of service between 16-25 years.
 - An additional day for each year of service for years of service 26+
 - The range of severance package was from 30-94 days. Our current highest year of service employee is Nancy Appleton with 39.83 years followed closely by Wally with 36 years.
 - I will add language regarding the health coverage for retirees who participate in the RI Program on the District's plan which is more generous than we currently offer. However, we don't need to budget for additional medical coverage in 2013 since currently budgeted all employees who could retire fully loaded with benefits through 2013. We will need to give some consideration of how to budget in the out years. I have a few ideas we can discuss at a later date.
- I added in a calculation for mandatory taxes on the payouts as follows:
 - 14.9% for PERS 1 employees which is PERS at 7.25% and FICA at 7.65%. Just a reminder that we are required to count all cash outs and severance as "compensable time" for PERS 1 employees so we will get an excess compensation bill from DRS on these employees. I am not sure how to calculate that amount. May want to check with Bruce when he is back from vacation to see what the history has been. Right now the current calculation includes 2-PERS 1 employees in the assumptions for retirements.
 - 7.65% for PERS 2 employees which only includes FICA. Unlike PERS 1 the cash outs and severance payments are not compensable time for PERS 2 so we don't need to add the PERS rate in. Cash out of floating holidays does count, but it is such a small amount (max of 16 hours)

that I did not fuss with adding in a tax liability for FHs. I did pad a little on the back end which should compensate.

- Calculations were computed for 10 employees. It is easy to shift since the spreadsheet we have built actually calculates current leave liability for all employees and has a dynamic field which computes years in service every day. This way we are all set if we need to calculate payouts. I add this because if you need to me to run a couple of different scenarios using a different number for the retirement/severance packages I can do it fairly easily.
- I also added 3% to the final total to account for fluctuations in leave balances and changes in wage rates since there will be GWI, and merit increases to reflect increases in 2013. I admit this number is a wag, but probably the best we can do not knowing what leave balances will look like this time next year.

The total I came up with is \$721,526. This represents the top cash out/severance package of \$152,906 down to the lowest \$8,981. Just a side note – the highest number is due largely to a big banked personal leave balance.

Please let me know if you need additional analysis or if you would like to discuss my back up documentation in greater detail.

Robbie Berg, HR Manager, MBA
Cowlitz PUD
(360) 577-7508 phone
(360) 501-8151 FAX

WINDS / TITAN
REDUCTION

Page 1 of 2

RESP # 5-D

Peggy & Brian Skeahan

From: Brian Skeahan

Sent: Saturday, September 22, 2012 4:42 PM

To: Mark McCrady, Buz Ketcham, Fred Eider

I have been looking at some financial ratio comparisons on and off over the past couple of weeks as we have moved into the budget process. I have looked both at APPA data (utilities with 20-50K customers and 50-100K customers which corrects some for sales and revenues give we are high on those given our customer count), APPA data from the western US, and WPUCA data for utilities with similar customer counts.

When I talk about such comparisons I always have to remind myself and my elected's that you can't just grab one number or one year's data and make any definitive conclusion. So for that reason I have cast a pretty broad net of comparisons averaged across three years.

→ Bottom line is no matter what I look at our operating costs our high. As you might expect, the answer of how high is somewhat contingent upon the compared to what / who factor. The range seems to be from half to three million dollars. I would note that I obviously don't have comparison data for 2012 yet so to the extent we had changes / reductions is 2012 that differed from those in the comparison group then this would change the conclusion slightly. Obviously that is a big range, and I am guessing the realistic / appropriate number to be +/- \$1-1.5M or so. ←

That said, this is not a surprise to me. In 2006,7,8 we ramped up for a pretty aggressive capital budget. We have also added staff and costs associated with the Cayenta project. Obviously the Cayenta project will be complete in 2013. I think we will walk out of the capital plan workshop with a capital budget comparable to what we have had for the past couple of years and that looking forward we will see that amount as a new normal. I don't see a lot of customer driven work on the horizon. Those affect engineering and operations.

One of the things that is a bit frustrating in looking at these numbers is that it is a bit tough to know precisely where in the organization we seem to be on the high side. Our numbers in A&G have been consistently high in comparisons. I have previously talked to Royce about it but those conversations did not get me much. With Trent coming on board I have asked the question again and he believes that we may, relative to others use A&G as something of a "dumping ground". We toss costs in there that others may allocate differently. We also don't appear to allocate some data processing costs to areas other than A&G as others seem to. That said, we don't have enough comparative information to draw any conclusions on such matters.

So the bottom line is we appear to be high, we are less sure where. Don and I have always felt we are long in the customer service area (another Worthington legacy) and that with a new system and some revised work practices some reductions were possible there.

* In response to this I am looking at doing a couple of things. The first would be to include in the 2013 budget funds for an early separation program. I have asked Robbie to investigate this, particularly looking at what EWEA recently did. The short version is that we think such an offer would costs in the ballpark of \$750K and result in a reduction in labor and benefit costs of about \$1M. So it would pay for itself in less than a year. I think such an approach is consistent with your values / perspectives of trying to reduce involuntary layoffs. My early guess is that we would probably accelerate some planned retirements by a couple / few years. *

My current thinking would be to open the window for this around mid year. That would help us better understand where we are at for 2014 in terms of staffing levels and costs based on who did and did not accept the offer. Having six months of Cayenta under our belt will help us better understanding of the impacts the new system will have on staffing.

↖ All of this basically uses 2013 as a year to move toward what the proverbial right size of the organization should be in 2014. The early out offer gets our body count headed the right direction in 2013, and the time and experience gained in 2013 will give us a more solid understanding of what the size of the organization should be and what the org chart will look like. ↗

I would note, and caution that this is not entirely labor cost / body count exercise. There will be other O&M costs examined as well.

I wanted to give you an early heads up on my thinking as we go into budget. I would be happy to talk to you individually in greater detail if you so desire as well as hear any thoughts you may have based upon that information.

Thanks

Brian Skeahan
General Manager
Cowlitz PUD

RESP # 3-E

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Wednesday, May 2, 2012 5:18 PM
To: Brian Skeahan
Cc: Sandy Willman
Subject: RE: Sewer Line Claim - 238 Sparks

I don't have the internal risk management meeting on my calendar???

I think we need to have a separate meeting to discuss with the majority of the people on the list. Don is out of the office and may not need Royce or Jeff there. Paul was looking into the legalities of it and Ray Johnson and Peters have background information on the RCW and water system. Was just keeping the meeting open to all that have been involved thus far but can certainly scale it back.

I can either work with Sandy tomorrow to try and find a time that works for you or I can meet one on one with you following the meeting to catch you up.

Thanks
Heather

HEATHER ALLEN
COWLITZ PUD | RISK MANAGER
PHONE: 360.501.8143

From: Brian Skeahan
Sent: Wednesday, May 02, 2012 4:54 PM
To: Heather Allen
Cc: Sandy Willman
Subject: Fwd: Sewer Line Claim - 238 Sparks

This time doesn't work for me. I see we have an internal risk mgmt mtg Friday that I can get back for. Maybe we can just start that meeting with this topic?
Do we need everybody on that list in attendance? Seems like a BPA / Weyco approach to a meeting.

Sent from my iPhone

Begin forwarded message:

From: "PUD - Conference Engineering" <PUDCONFERENG@cowlitzpud.org>
To: "Heather Allen" <hallen@cowlitzpud.org>, "Chris Marlowe" <cmarlowe@cowlitzpud.org>, "Donald McMaster" <dmcmaster@cowlitzpud.org>, "Steve Brock" <SBrock@cowlitzpud.org>, "Jeff Sorensen" <jssorensen@cowlitzpud.org>, "Ray Peters" <Rpeters@cowlitzpud.org>, "Ray Johnson" <Rjohnson@cowlitzpud.org>, "Paul Brachvogel" <pbrachvogel@cowlitzpud.org>, "Royce Hagelstein" <rhagelstein@cowlitzpud.org>
Cc: "Brian Skeahan" <BSkeahan@cowlitzpud.org>, "Sandy Willman" <Swillman@cowlitzpud.org>
Subject: Sewer Line Claim - 238 Sparks

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Wednesday, May 2, 2012 4:14 PM
To: Heather Allen
Subject: Re: 238 Sparks Claim

Thanks

Sent from my iPhone

On May 2, 2012, at 4:11 PM, "Heather Allen" <hallen@cowlitzpud.org> wrote:

Brian

I confirmed with Chris that we were out there for our work. There is a project to replace underground conduit in that area.

Thanks

Heather

<image003.jpg>**HEATHER ALLEN**

RISK MANAGER

HALLEN@COWLITZPUD.ORG

PHONE: 360.501.8143 1 FAX: 360.577.7559

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Thursday, May 3, 2012 3:32 PM
To: Brian Skeahan
Subject: Sewer Claim

Brian

When you have a minute we should probably chat about the sewer claim. Just had a phone conversation with Kim. There are some significant misunderstandings amongst the arrangements that were made between us, Terry Lee and BHSD.

Thanks
Heather



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG
PHONE: 360.501.8143 | FAX: 360.577.7559

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, May 3, 2012 3:34 PM
To: Heather Allen
Subject: Re: Sewer Claim

Just got an email from Peggy saying she thought she overheard a little chat. Kim trying to snatch defeat out of jaws of victory? I will come by after mtg.
Thanks

Sent from my iPad

On May 3, 2012, at 3:31 PM, "Heather Allen" <hallen@cowlitzpud.org> wrote:

Brian

When you have a minute we should probably chat about the sewer claim. Just had a phone conversation with Kim. There are some significant misunderstandings amongst the arrangements that were made between us, Terry Lee and BHSD.

Thanks

Heather

<image003.jpg>**HEATHER ALLEN**

RISK MANAGER

HALLEN@COWLITZPUD.ORG

PHONE: 360.501.8143 1 FAX: 360.577.7559

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Friday, May 4, 2012 4:54 PM
To: Heather Allen
Subject: RE: What's the buzz on FB about the PUD

Too funny.

From: Heather Allen
Sent: Friday, May 04, 2012 4:29 PM
To: Brian Skeahan; Dave Andrew; Diana MacDonald; Donald McMaster; Douglas Wood; Gary Huhta; Heather Allen; Paul Brachvogel; Rick Syring; Robbie Berg; Royce Hagelstein; Sandy Willman; Trent Martin; Steve Brock; Brent Arnold
Cc: 'Ned Piper'; Mark Kirby; 'Buz Ketcham'
Subject: What's the buzz on FB about the PUD

I believe this was mentioned the other day at staff. Thought I would share what is out on Facebook if you haven't seen it already.

COWLITZ COUNTY RESIDENTS: In honor of the exorbitant rate hikes that COWLITZ PUD has inflicted upon every citizen of this county, action must be taken to thwart this corruption. It's proposed that on midnight from June 21 to midnight on June 22, 2012 that each and every citizen residing in this county willfully turn off their breaker boxes for this 24 hour period and deal the corporation a serious financial blow. Charge all phones and computers the evening before, buy your candles, stock your coolers, and prepare your gas and charcoal grills. Weather temperatures shouldn't be too hot or too cold at this time of the year. Use no electricity on this day. They want to charge us ungodly amounts of money for electricity, well we can turn this around and cut them literally hundreds of thousands of dollars by not using our electric power for 1 day. SPREAD THIS AROUND TO EVERYONE YOU KNOW IN COWLITZ COUNTY.

citizen residing in this county willfully turn off their breaker boxes for this 24 hour period and deal the corporation a serious financial blow. Charge all phones and computers the evening before, buy your candles, stock your coolers, and prepare your gas and charcoal grills. Weather temperatures shouldn't be too hot or too cold at this time of the year. Use no electricity on this day. They want to charge us ungodly amounts of money for electricity, well we can turn this around and cut them literally hundreds of thousands of dollars by not using our electric power for 1 day. SPREAD THIS AROUND TO EVERYONE YOU KNOW IN COWLITZ COUNTY



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG
PHONE: 360.501.8143 | FAX: 360.577.7559

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Wednesday, May 16, 2012 3:06 PM
To: Heather Allen
Subject: 2012_0522 Cowlitz Board Presentation.pptx
Attachments: 2012_0522 Cowlitz Board Presentation.pptx

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Friday, May 18, 2012 10:26 AM
To: Heather Allen
Subject: Fwd: Lark Drive Pot Hole pictures

Sent from my iPhone

Begin forwarded message:

From: Kim Adamson <kadamson@bhwsd.org>
Date: May 18, 2012 10:16:51 AM PDT
To: Brian Skeahan <BSkeahan@cowlitzpud.org>
Subject: RE: Lark Drive Pot Hole pictures

I'm fine with that if it's \$7,500. I'm not sure that is the real number though. My insurance adjuster thinks it will be more. He estimated \$20,000. But if we can get a release for \$7,500-ish, we're in.

From: Brian Skeahan [mailto:BSkeahan@cowlitzpud.org]
Sent: Friday, May 18, 2012 9:59 AM
To: Kim Adamson
Subject: RE: Lark Drive Pot Hole pictures

Heather says this looks to be about a \$7500 deal. I am thinking we pay it and it nobody's insurance steps up we just split the damn thing three ways. If not already it soon will be more time than its worth.

From: Kim Adamson [mailto:kadamson@bhwsd.org]
Sent: Friday, May 18, 2012 8:06 AM
To: Brian Skeahan
Subject: RE: Lark Drive Pot Hole pictures

Terry turned things over to his insurance. His insurance tendered the claim to my insurance and my insurance is going to fight it. The ED of our Utility Locate Association reviewed it for me and agreed that there is nothing in the current RCW

that makes us liable, although most of this stuff goes to small claims so we don't have a good idea how the courts are actually ruling.

The homeowner sent a couple emails yesterday to Terry's insurance about the delay in anyone taking responsibility and his perception of being given a runaround due to all the conflicting info he has received. He stated that he will be obtaining his own attorney today so we all may be dealing with this again. Heather Allen should be aware of this already because she was copied on his emails. And I don't think I have anything on the subject that I haven't forwarded to her just as an FYI. I kind of thought we may end up here so I wanted to make sure to keep the PUD in the loop.

From: Brian Skeahan [<mailto:BSkeahan@cowlitzpud.org>]
Sent: Thursday, May 17, 2012 3:54 PM
To: Kim Adamson
Subject: RE: Lark Drive Pot Hole pictures

I forwarded to Don and asked him to call you.

Why I have you hear, where we at with Terry Lee and that customer claim?

From: Kim Adamson [<mailto:kadamson@bhwsd.org>]
Sent: Thursday, May 17, 2012 9:08 AM
To: Brian Skeahan
Subject: FW: Lark Drive Pot Hole pictures

Can't see much from this picture because it doesn't show where our mainline break is. Brian didn't see my email about having someone from the PUD onsite until after they checked this out. But we have another vac. Trailer demo scheduled May 22 at 1:00 pm if you want to send someone out to take a look.

Kim

From: Brian Wilson
Sent: Wednesday, May 16, 2012 3:14 PM
To: Kim Adamson
Subject: Lark Drive Pot Hole pictures

FYI

Brian Wilson

Field Lead

Beacon Hill Water & Sewer District

1121 Westside Highway

Kelso, WA 98626

(360) 636-3860 Fax (360) 575-9375

bwilson@bhwsd.org

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Friday, May 18, 2012 3:38 PM
To: Heather Allen
Subject: Fwd: Terry Lee Excavating Yrs: 22-151718
Attachments: WSP812973Libertyletter.docx; ATT00001..htm

Sent from my iPhone

Begin forwarded message:

From: Kim Adamson <kadamson@bhwsd.org>
Date: May 18, 2012 3:12:03 PM PDT
To: Brian Skeahan <BSkeahan@cowlitzpud.org>
Cc: Donald McMaster <dmcmaster@cowlitzpud.org>, Heather Allen <hallen@cowlitzpud.org>
Subject: FW: Terry Lee Excavating Yrs: 22-151718

FYI

From: Len Berzins [mailto:len@arcadiaclaims.com]
Sent: Friday, May 18, 2012 2:43 PM
To: mishayla.richardson@libertynorthwest.com
Cc: leahv@wsrmp.org; Kim Adamson; jdeshazer@watersystems.com; terry2938@comcast.net
Subject: Terry Lee Excavating Yrs: 22-151718

Dear Ms. Richardson,

Attached please find a response to your Email of May 17, 2012. I have also included a link below for the RCW 19.122 website for your review. Please contact me if you have any questions.

Len Berzins

Executive Adjuster

<http://apps.leg.wa.gov/rcw/default.aspx?cite=19.122>

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Monday, June 4, 2012 9:06 AM
To: Brian Skeahan
Subject: Turbine Cowboys

Pretty good show – if you haven't seen it already.

<http://cleantechnica.com/2012/02/05/turbine-cowboys-give-wind-power-its-own-reality-show/>



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG
PHONE: 360.501.8143 | FAX: 360.577.7559

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Monday, July 2, 2012 5:15 PM
To: Heather Allen
Subject: RE: ISDA Counterparties

yep

From: Heather Allen
Sent: Monday, July 02, 2012 4:30 PM
To: Brian Skeahan
Subject: FW: ISDA Counterparties

better?

HEATHER ALLEN
COWLITZ PUD | RISK MANAGER
PHONE: 360.501.8143

From: Heather Allen
Sent: Monday, July 02, 2012 3:55 PM
To: Brian Skeahan
Subject: ISDA Counterparties

Brian

While reviewing the status of our ISDA negotiations at today's RMC meeting we took the opportunity to follow up with TEA on the question Buzz raised at our last Board meeting regarding how many ISDA counterparties we should have.

TEA stated that 6-12 counterparties is a reasonable target. The reason for the general response is that the quality of the counterparty is more important than the quantity. The primary factor when assessing counterparties is how active they are in the market. In this industry traders come and go and a counterparty may stop participating in the market while they are replacing a trader or may stop participating for other reasons, making it important to have a diverse portfolio of counterparties.

Currently we have ISDAs with five counterparties. Approximately 90% of our deals have been with EDF and NextEra. Both counterparties have been very active market participants, whereas Iberdrola has not been. If for some reason none of our counterparties were participating in the market TEA would go to a broker to execute a trade. Although more costly to use a broker it would provide us access to the market. TEA is currently negotiating five additional ISDA agreements on our behalf, two of which are almost ready to execute. Even once the additional five ISDAs are in place we will likely continue to add counterparties as participants enter and exit the market.

I hope this better answers Buzz's question. Please let me know if there are any further questions.

Thanks
Heather

To: Brian Skeahan
Subject: RE: Do we

I will find out...

-----Original Message-----

From: Brian Skeahan [mailto:BSkeahan@cowlitzpud.org]
Sent: Thursday, August 16, 2012 9:53 AM
To: Ted Sprague
Subject: Do we

Know who is buying PPG?
This creates a few issues for us.

Sent from my iPhone

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Wednesday, July 11, 2012 8:19 AM
To: Brian Skeahan
Subject: FW: MEETING AGENDA and RSVP REQUEST: Celebrate Our 15-Year Anniversary With Us at Skamania Lodge Mountain Resort

Brian

TEA is asking if I will be attending the upcoming West Coast Partners conference. Have you given any thought as to who you would like to attend from Cowlitz?

Thanks
Heather

HEATHER ALLEN
COWLITZ PUD | RISK MANAGER
PHONE: 360.501.8143

From: Nichole Terry [mailto:nterry@teainc.org]
Sent: Wednesday, July 11, 2012 5:44 AM
To: Heather Allen
Subject: MEETING AGENDA and RSVP REQUEST: Celebrate Our 15-Year Anniversary With Us at Skamania Lodge Mountain Resort

Heather: Will you be able to join us later this month? Thanks, Nichole

[Having trouble? View online.](#)

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Monday, July 16, 2012 5:29 PM
To: Heather Allen
Subject: did you have

A safety or claims goal. I was not fully conscious this morning.

Brian Skeahan
General Manager
Cowlitz PUD

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Tuesday, July 17, 2012 6:39 AM
To: Brian Skeahan
Subject: Re: did you have

Yes - safety stats. Reportable incident rates equal or less than other similar systems as reported by federated.

Sent from my iPhone

On Jul 16, 2012, at 5:29 PM, "Brian Skeahan" <BSkeahan@cowlitzpud.org> wrote:

A safety or claims goal. I was not fully conscious this morning.

Brian Skeahan
General Manager
Cowlitz PUD

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Tuesday, July 17, 2012 4:16 PM
To: Heather Allen
Subject: RE: did you have

I remember that. Thanks.
Lets have a discussion on if / how we might work claims into it.

Speaking of which we had transmission into distribution today. That often results in issues.

From: Heather Allen
Sent: Tuesday, July 17, 2012 6:39 AM
To: Brian Skeahan
Subject: Re: did you have

Yes - safety stats. Reportable incident rates equal or less than other similar systems as reported by federated.

Sent from my iPhone

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Brian Skeahan
General Manager
Cowlitz PUD

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Tuesday, July 17, 2012 5:17 PM
To: Brian Skeahan
Subject: Re: did you have

Ok. I will touch base with you on Monday when back from the AEGIS meeting. I heard about the outage. Hopefully doesn't result in many claims.

Thanks

Sent from my iPhone

On Jul 17, 2012, at 4:15 PM, "Brian Skeahan" <BSkeahan@cowlitzpud.org> wrote:

I remember that. Thanks.
Lets have a discussion on if / how we might work claims into it.

Speaking of which we had transmission into distribution today. That often results in issues.

From: Heather Allen
Sent: Tuesday, July 17, 2012 6:39 AM
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Subject: Re: did you have

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Sent from my iPhone

On Jul 16, 2012, at 5:29 PM, "Brian Skeahan" <BSkeahan@cowlitzpud.org> wrote:

A safety or claims goal. I was not fully conscious this morning.

Brian Skeahan
General Manager
Cowlitz PUD

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Monday, July 23, 2012 4:27 PM
To: Brian Skeahan
Cc: Royce Hagelstein; Chris Marlowe
Subject: FW: Money received

Received the check from Terry Lee's insurance today. We can finally put this one to rest.

Thank you.

HEATHER ALLEN
COWLITZ PUD | RISK MANAGER
PHONE: 360.501.8143

From: Bruce McLean
Sent: Monday, July 23, 2012 4:22 PM
To: Heather Allen
Subject: Money received

Heather we received a check today from Liberty NW for Terry Lee excavating for \$2,277.99 for full and final settlement.
DO you need a copy of it?

Bruce

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Monday, July 23, 2012 4:33 PM
To: Brian Skeahan
Subject: Economic Outlook Presentation
Attachments: market_conditions.pdf

Presentation from AEGIS conference.

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Monday, July 23, 2012 10:58 AM
To: Heather Allen
Subject: FW: Transmission Fault Report
Attachments: Fault Report 3.pdf

From: Tim Johnston
Sent: Friday, July 20, 2012 12:07 PM
To: Ray Johnson; Brian Skeahan
Cc: Donald McMaster
Subject: Transmission Fault Report

The fault report for Tuesday's outage is attached. Please let me know if you have any questions.

Tim Johnston

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Wednesday, August 8, 2012 3:31 PM
To: Sandy Willman; Brian Skeahan
Cc: Royce Hagelstein
Subject: Property Renewal Memo
Attachments: 2012_0814 Property Renewal Management Memo.docx

Please see attached for the Board packet. Thank you.



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG

360.577.7559

COWLITZ PUD • 961 12th Avenue • PO Box 3007 • Longview, WA 98632 • PHONE: 360.501.8143 • FAX:

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Tuesday, August 14, 2012 6:10 PM
To: Heather Allen
Subject: RE: APPA Benchmarking Data

Was this the last thing you sent me?

From: Heather Allen
Sent: Tuesday, February 07, 2012 5:01 PM
To: Brian Skeahan
Subject: APPA Benchmarking Data

Brian

Attached is the APPA data as well as some WAPUDA and Cowlitz data. Let me know if this is what you are looking for.

Thanks
Heather



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG
PHONE: 360.501.8143 | FAX: 360.577.7559

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Wednesday, August 15, 2012 8:34 AM
To: Brian Skeahan
Subject: RE: APPA Benchmarking Data
Attachments: Average Revenue per kWh 2010.xlsx; WAPUDA Sourcebook Data 2010.xlsx; APPA Data 2010.xlsx

Attached is everything done to date, except for the labor data which I will have for you by end of day. I also just checked online and see the 2011 WPUDA Sourcebook is now available. I will update that data too and get it to you as well.

Thanks.
Heather

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

From: Brian Skeahan
Sent: Tuesday, August 14, 2012 6:10 PM
To: Heather Allen
Subject: RE: APPA Benchmarking Data

Was this the last thing you sent me?

From: Heather Allen
Sent: Tuesday, February 07, 2012 5:01 PM
To: Brian Skeahan
Subject: APPA Benchmarking Data

Brian

Attached is the APPA data as well as some WAPUDA and Cowlitz data. Let me know if this is what you are looking for.

Thanks
Heather



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG
PHONE: 360.501.8143 | FAX: 360.577.7559

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Wednesday, August 15, 2012 6:34 PM
To: Brian Skeahan
Cc: Trent Martin
Subject: Labor Cost Analysis
Attachments: Labor Costs.xlsx

Brian

Attached is the Labor Cost Analysis.

Thanks.
Heather



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG

360.577.7559

COWLITZ PUD • 961 12th Avenue • PO Box 3007 • Longview, WA 98632 • PHONE: 360.501.8143 • FAX:

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Wednesday, August 15, 2012 6:42 PM
To: Heather Allen
Subject: RE: Labor Cost Analysis

At first glance this is very very good.

From: Heather Allen
Sent: Wednesday, August 15, 2012 6:34 PM
To: Brian Skeahan
Cc: Trent Martin
Subject: Labor Cost Analysis

Brian

Attached is the Labor Cost Analysis.

Thanks.
Heather



HEATHER ALLEN
RISK MANAGER
H.ALLEN@COWLITZPUD.ORG

360.577.7559

COWLITZ PUD • 961 12th Avenue • PO Box 3007 • Longview, WA 98632 • PHONE: 360.501.8143 • FAX:

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, August 16, 2012 12:25 PM
To: Heather Allen
Subject: RE: Do we

And you know this because your sister is an employee.

So have you got the credit questions ready to go?

-----Original Message-----

From: Heather Allen
Sent: Thursday, August 16, 2012 10:56 AM
To: Brian Skeahan; Gary Huhta; Trent Martin; Royce Hagelstein
Subject: RE: Do we

They are merging with Georgia Gulf to form a new company.

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

-----Original Message-----

From: Brian Skeahan
Sent: Thursday, August 16, 2012 10:17 AM
To: Gary Huhta; Trent Martin; Royce Hagelstein; Heather Allen
Subject: FW: Do we

-----Original Message-----

From: Ted Sprague [mailto:sprague@cowlitzedc.com]
Sent: Thursday, August 16, 2012 10:17 AM
To: Brian Skeahan
Subject: RE: Do we

I will find out...

-----Original Message-----

From: Brian Skeahan [mailto:BSkeahan@cowlitzpud.org]
Sent: Thursday, August 16, 2012 9:53 AM
To: Ted Sprague
Subject: Do we

Know who is buying PPG?
This creates a few issues for us.

Sent from my iPhone

From: Jay Stern [<mailto:jstern@hentschell.com>]
Sent: Thursday, September 27, 2012 8:25 AM
To: 'Robin Rego'
Subject: White Creek Project LLC (WCP)

Robin,

On your WCP Board call tomorrow, you will be discussing the Directors and Officers (D&O) coverage and the issues Gerry Miller outlined in his September 25 email attachment - to renew or not, the extended reporting period (ERP) option, and risk analysis. As part of the WCP risk analysis process, you may want to suggest that each utility member survey their staff to see if anyone has knowledge of any incident or circumstances which could possibly give rise to a D&O claim. If there is something out there, then it should be reported to the carrier before the coverage expires.

Best regards,

Jay

Jay Stern - Hentschell & Associates
621 Pacific Avenue Suite # 400
Tacoma, WA 98402
PH 253-272-1151 FX 253-272-1225

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, August 16, 2012 12:27 PM
To: Heather Allen
Subject: RE: Do we

Saw this one last. Heard about your sister.

-----Original Message-----

From: Heather Allen
Sent: Thursday, August 16, 2012 10:50 AM
To: Brian Skeahan; Gary Huhta; Trent Martin; Royce Hagelstein
Subject: RE: Do we

My sister works there. I will see what I can find out.

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

-----Original Message-----

From: Brian Skeahan
Sent: Thursday, August 16, 2012 10:17 AM
To: Gary Huhta; Trent Martin; Royce Hagelstein; Heather Allen
Subject: FW: Do we

-----Original Message-----

From: Ted Sprague [mailto:sprague@cowlitzedc.com]
Sent: Thursday, August 16, 2012 10:17 AM
To: Brian Skeahan
Subject: RE: Do we

I will find out...

-----Original Message-----

From: Brian Skeahan [mailto:BSkeahan@cowlitzpud.org]
Sent: Thursday, August 16, 2012 9:53 AM
To: Ted Sprague
Subject: Do we

Know who is buying PPG?
This creates a few issues for us.

Sent from my iPhone

Thanks
Heather

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

From: Heather Allen
Sent: Wednesday, September 26, 2012 3:16 PM
To: Brian Skeahan
Subject: RE: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

99.9% sure our D&O covers our employee as being a Board member. Will confirm this. In the event this is true, I would agree with the recommendation to renew the 1m policy.

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

From: Brian Skeahan
Sent: Tuesday, September 25, 2012 6:35 PM
To: Heather Allen
Subject: FW: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

There is a question in Gerry's memo.....

From: Gerald Miller [<mailto:gmliller41@yahoo.com>]
Sent: Tuesday, September 25, 2012 12:35 PM
To: Brian Skeahan; Robin Rego; Jim Smith; sandersj@bentonpud.org
sandersj@bentonpud.org<<mailto:sandersj@bentonpud.org>>; bobg@lcpud.org
bobg@lcpud.org<<mailto:bobg@lcpud.org>>; Steve Walter
Cc: Gary Huhta; JOHNSONC@bentonpud.org
JOHNSONC@bentonpud.org<<mailto:JOHNSONC@bentonpud.org>>; Dan Bedbury; Harvey Spigal
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Gentlemen, please see my attached memo regarding the renewal or non-renewal of the D&O policy for White Creek Project LLC. The expiration date of the existing policy is September 30, 2012, and we are putting this matter on the agenda for this Friday's Management Committee conference call for discussion and decision.

Please feel free to call Harvey or me if you care to discuss further.

Thank you for your consideration.

Gerry

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Thursday, August 16, 2012 12:28 PM
To: Brian Skeahan
Subject: RE: Do we

She just got hired as the HR Manager there. I am not sure of the timing of the merger. I will find out.

Yes, I will have TEA do a credit write up for them.

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

-----Original Message-----

From: Brian Skeahan
Sent: Thursday, August 16, 2012 12:25 PM
To: Heather Allen
Subject: RE: Do we

And you know this because your sister is an employee.

So have you got the credit questions ready to go?

-----Original Message-----

From: Heather Allen
Sent: Thursday, August 16, 2012 10:56 AM
To: Brian Skeahan; Gary Huhta; Trent Martin; Royce Hagelstein
Subject: RE: Do we

They are merging with Georgia Gulf to form a new company.

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

-----Original Message-----

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Sent: Thursday, August 16, 2012 10:17 AM

Board date we have left. If TEA can provide the QIR language by early next week we could possibly squeeze it in. I am sure we could get it done on the January 8th meeting.

Sent from my iPhone

On Nov 29, 2012, at 10:57 AM, "Rob Sirvaitis" <rsirvaitis@teainc.org> wrote:

Gary, Heather, Dan, Kyle,
Unfortunately, there are now likely to be several actions you will need to take to continue swap trading in 2013. Some or all may require action by your board. They are:

1. Amend your risk policy to identify TEA as your Qualified Independent Representative (QIR) (TEA is currently drafting these changes)
2. Enter into a simple agreement with TEA to legally establish TEA as your QIR (TEA will provide a draft soon and we are confirming with our general counsel that TEA can enter into this agreement)
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More to come.

Rob Sirvaitis | Client Services Manager

p: 503.679.7300 | f: 904.665.0241 | m:
503.679.7300 | e: rsirvaitis@teainc.org

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WA | www.teainc.org

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Thursday, August 16, 2012 1:53 PM
To: Brian Skeahan
Subject: Labor Cost Analysis
Attachments: 2012 Labor Cost Analysis Charts.docx

Brian

I included a few more charts under "December Labor Tab" that may be useful. Thanks



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG

360.577.7559

COWLITZ PUD • 961 12th Avenue • PO Box 3007 • Longview, WA 98632 • PHONE: 360.501.8143 • FAX:

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Monday, August 27, 2012 4:31 PM
To: Brian Skeahan
Cc: Royce Hagelstein
Subject: WPUDA Sourcebook Data
Attachments: WPUDA Sourcebook Data.xlsx

Brian

Attached is the updated information from the WPUDA Sourcebook. Please note that the numbers for 2011 (2012 Sourcebook) are still in draft form. Trent has reviewed our numbers and they are correct but may change for other utilities.

I have also included a new tab "Combined Charts" that compares the data annually.

Thanks.
Heather



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG

360.577.7559

COWLITZ PUD • 961 12th Avenue • PO Box 3007 • Longview, WA 98632 • PHONE: 360.501.8143 • FAX:

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Friday, August 31, 2012 11:22 AM
To: Heather Allen
Subject: FW: Proposed CFTC Exemption for Not-for-Profit Utilities
Attachments: 2012-20589 CFTC Not-For-Profit Utility Exemption.pdf

From: Al Aldrich [mailto:ala@strategies360.com]
Sent: Friday, August 31, 2012 9:54 AM
To: Brian Skeahan; Christopher Hill
Subject: Proposed CFTC Exemption for Not-for-Profit Utilities

Brian and Chris,

The CFTC is proposing to exempt certain transactions between not-for-profit utilities and other electric utility cooperatives from provisions of the Commodity Exchange Act. The petition that prompted this proposed exemption came from NRECA, APPA, LPPC, TAPS, and BPA. Don't know how important this is to you, but Melanie in our DC office saw this and passed it along so I want to share it with you.

Thanks,
Al

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Saturday, September 22, 2012 3:22 PM
To: Heather Allen
Subject: didnt we just get

A WPUA sourcebook with 2011 data? Or am I getting the years confused again?

Brian Skeahan
General Manager
Cowlitz PUD

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Tuesday, September 25, 2012 1:45 PM
To: Brian Skeahan
Subject: WPUA Data
Attachments: WPUA Sourcebook Data.xlsx

Brian

I verified the 2012 draft data with the final data. Nothing changed. I also added in the FTE field since you mentioned you were looking for this data the other day.

Let me know if you have any questions.

Thanks
Heather



HEATHER ALLEN
RISK MANAGER
HALLEN@COWLITZPUD.ORG

360.577.7559

COWLITZ PUD • 961 12th Avenue • PO Box 3007 • Longview, WA 98632 • PHONE: 360.501.8143 • FAX:

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Tuesday, September 25, 2012 6:35 PM
To: Heather Allen
Subject: FW: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy
Attachments: WCProject LLC Director & Officer Liability Insurance.docx

There is a question in Gerry's memo.....

From: Gerald Miller [mailto:gmliller41@yahoo.com]
Sent: Tuesday, September 25, 2012 12:35 PM
To: Brian Skeahan; Robin Rego; Jim Smith; sandersj@bentonpud.org; bobg@lcpud.org; Steve Walter
Cc: Gary Huhta; JOHNSONC@bentonpud.org; Dan Bedbury; Harvey Spigal
Subject: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

Gentlemen, please see my attached memo regarding the renewal or non-renewal of the D&O policy for White Creek Project LLC. The expiration date of the existing policy is September 30, 2012, and we are putting this matter on the agenda for this Friday's Management Committee conference call for discussion and decision.

Please feel free to call Harvey or me if you care to discuss further.

Thank you for your consideration.

Gerry

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RISK MANAGER
PHONE: 360.501.8143

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Thank you for your consideration.

Gerry

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, September 27, 2012 12:40 PM
To: Heather Allen
Subject: Fwd: White Creek Project LLC (WCP)

Sent from my iPhone

Begin forwarded message:

From: Gerald Miller <gmiller41@yahoo.com>
Date: September 27, 2012 12:38:46 PM PDT
To: Bob Geddes <bobg@lcpud.org>, Brian Skeahan <BSkeahan@cowlitzpud.org>, Chris Johnson <JOHNSONC@bentonpud.org>, Dan Bedbury <Danielb@lcpud.org>, Gary Huhta <Ghuhta@cowlitzpud.org>, Jim Smith <jsmith@klickpud.com>, Jim Sanders <sandersj@bentonpud.org>, Robin Rego <rarego@lakeviewlight.com>, Steve Walter <steve@tannerelectric.coop>
Subject: Fw: White Creek Project LLC (WCP)
Reply-To: Gerald Miller <gmiller41@yahoo.com>

As a follow-up and additional consideration to my emailed memo of September regarding the D&O insurance renewal analysis, please review the insurance broker's comments below, recommending a survey of potential claims/allegations that someone in your utility may be aware of.

Thank you. We look forward to the conference calls tomorrow morning.
Gerry

----- Forwarded Message -----

From: Jay Stern <jstern@hentschell.com>
To: 'Gerald Miller' <gmiller41@yahoo.com>
Sent: Thursday, September 27, 2012 11:29 AM
Subject: FW: White Creek Project LLC (WCP)

Gerry,
Sorry I forgot to send a copy of this to you.
Jay

From: Jay Stern [mailto:jstern@hentschell.com]
Sent: Thursday, September 27, 2012 8:25 AM
To: 'Robin Rego'
Subject: White Creek Project LLC (WCP)

Robin,
On your WCP Board call tomorrow, you will be discussing the Directors and Officers (D&O) coverage and the issues Gerry Miller outlined in his September 25 email attachment - to renew or not, the extended reporting period (ERP) option, and risk analysis. As part of the WCP risk analysis process, you may want to suggest that each utility member survey their staff to see if anyone has knowledge of any incident or

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Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Thursday, September 27, 2012 1:28 PM
To: Brian Skeahan
Subject: RE: White Creek Project LLC (WCP)

None here that I am aware of.

HEATHER ALLEN
RISK MANAGER
PHONE: 360.501.8143

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Jay

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Friday, September 28, 2012 10:32 AM
To: Heather Allen
Subject: FW: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

From: Gerald Miller [mailto:gmliller41@yahoo.com]
Sent: Friday, September 28, 2012 8:29 AM
To: Brian Skeahan
Subject: Re: Fwd: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

For what it is worth, I agree with Heather's recommendation to renew. We're going to have much more attractive (i.e. less expensive) premiums if the underwrites get it all together in time. So.....

From: Brian Skeahan <BSkeahan@cowlitzpud.org>
To: Gerry Miller <gmliller41@yahoo.com>
Sent: Thursday, September 27, 2012 1:13 PM
Subject: Fwd: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

Sent from my iPhone

Begin forwarded message:

From: Heather Allen <hallen@cowlitzpud.org<mailto:hallen@cowlitzpud.org>>
Date: September 27, 2012 9:14:37 AM PDT
To: Brian Skeahan <BSkeahan@cowlitzpud.org<mailto:BSkeahan@cowlitzpud.org>>
Subject: RE: White Creek Project LLC DIRECTOR & OFFICER LIABILITY Insurance policy

I double checked our policy and it does cover you as a Board member if a claim is made against you. If a claim is made against White Creek our policy would not cover it.

Claim 1 – Rate payer claims the District, naming you as a Board member of White Creek, made a poor business decision that adversely impacted their rates. Our D&O policy would cover.

Claim 2 – Landowner sues White Creek and it's Board members over land rights. Our D&O policy would not cover.

It is my recommendation that the 1m White Creek D&O policy is renewed. If for some reason they decide not to Max is looking into adding an endorsement that would cover you if a claim was made against White Creek. This is not something we would want to do if White Creek has a stand-alone policy.

Let me know if you need anything else.

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Wednesday, October 10, 2012 5:49 PM
To: Heather Allen
Subject: Dodd-Frank_Commercial Implications.pptx
Attachments: Dodd-Frank_Commercial Implications.pptx

An updated (when the appropriate time comes) and perhaps a little simplified version of this may make a good board informational piece. Lets chat.

Gary, Heather, Dan, Kyle,
Unfortunately, there are now likely to be several actions
you will need to take to continue swap trading in 2013.
Some or all may require action by your board. They are:

1. Amend your risk policy to identify TEA as your Qualified Independent Representative (QIR) (TEA is currently drafting these changes)
2. Enter into a simple agreement with TEA to legally establish TEA as your QIR (TEA will provide a draft soon and we are confirming with our general counsel that TEA can enter into this agreement)
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More to come.

Rob Sirvaitis | Client Services Manager

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e: rsirvaitis@teainc.org

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WA | www.teainc.org

Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Thursday, November 29, 2012 12:15 PM
To: Brian Skeahan
Cc: Sandy Willman
Subject: Re: Dodd Frank Implementation Update

I will see about setting up a call with Rob to get more information. Would you like to attend?

Sent from my iPhone

On Nov 29, 2012, at 12:00 PM, "Brian Skeahan" <BSkeahan@cowlitzpud.org> wrote:

Seems to me that a broad enabling grant of authority may be doable at next meeting. That would enable details to be worked out in a reasonably timely manner.

Working all the individuals steps and docs doesn't seem probable by next meeting. I am not confident you will get in and out in one meeting in January, so if time is an issue.....

Would be good to understand better why we need to move expeditiously.

Sent from my iPhone

On Nov 29, 2012, at 11:41 AM, "Heather Allen" <hallen@cowlitzpud.org> wrote:

Sent from my iPhone

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From: Heather Allen <hallen@cowlitzpud.org>
Date: November 29, 2012, 11:15:48 AM PST
To: Rob Sirvaitis <rsirvaitis@teainc.org>
Cc: Gary Huhta <Ghuhta@cowlitzpud.org>, Dan Bedbury <danielb@lcpud.org>, Kyle Roadman <Kyle@epud.org>, Paul Brachvogel <pbrachvogel@cowlitzpud.org>, Stacie Pederson <spederson@cowlitzpud.org>
Subject: Re: Dodd Frank Implementation Update

Rob

I am not sure if it feasible to get it before the board before the end of the year. December 11th is the only Board date we have left. If TEA can provide the QIR language by early next week we could possibly squeeze it in. I am sure we could get it done on the January 8th meeting.

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Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, November 29, 2012 12:22 PM
To: Heather Allen
Subject: Re: Dodd Frank Implementation Update

Only if it doesn't make the call possible to schedule. I am pretty busy next week. That said should be a short call I would think.

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Ok. I will check with sandy and see what we can come up with.

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Cc: Gary Huhta

<Ghuhta@cowlitzpud.org>, Dan

Bedbury <danielb@lcpud.org>, Kyle

Roadman <Kyle@epud.org>, Paul

Brachvogel

<pbrachvogel@cowlitzpud.org>, Stacie

Pederson <spederson@cowlitzpud.org>

Subject: Re: Dodd Frank

Implementation Update

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with your
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boilerplate
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prepared by the
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that your CP's
will likely ask
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It is likely that
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consider a board action
to authorize staff to
implement the QIR
requirements of Dodd
Frank. Let me know if
you are interested in
this approach and we
can work together on
the wording.

More to come.

**Rob Sirvaitis | Client
Services Manager**

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904.665.0241 | m:
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Brian Skeahan

From: Heather Allen <hallen@cowlitzpud.org>
Sent: Wednesday, December 5, 2012 3:14 PM
To: Brian Skeahan
Cc: Sandy Willman; Royce Hagelstein
Subject: Staff Recommendation - Dodd Frank Compliance
Attachments: 2012_1211 Staff Recommendation - Dodd Frank_Compliance.docx

Brian

Attached is the staff recommendation for the Dodd-Frank compliance. Let me know if this is sufficient for the Board or if you would like further explanation.

Thanks
Heather



Heather Allen
Risk Manager

P: 360.501.8143 • F: 360.577.7559 • E: hallen@cowlitzpud.org
961 12th Avenue, Longview, WA 98632 • www.cowlitzpud.org

From: Gary Huhta
Sent: Friday, June 14, 2013 10:06 AM
To: Brent Arnold; Heather Allen; Royce Hagelstein; Trent Martin
Cc: Donald McMaster
Subject: RE: PDC Claims

RESP # 5-F

As I discussed with some of you yesterday, would you each please review the statement you prepared and look to further developing your written explanation? The responses were brief and to the point, which is typically good. However, in this case I think we need to provide a little more context to each circumstance, so an outside reader will better understand the claim.

→ Enclosed is the original 1/18/13 claim filed by Buz, as well as, a new item that Buz intends to file...you can use these as examples for the type of information to be included in your statements.

If you can do this as soon as possible, I would appreciate it, Buz is expecting the materials soon.
Thanks, Gary.

From: Gary Huhta
Sent: Wednesday, June 05, 2013 1:20 PM
To: Brent Arnold; Heather Allen; Royce Hagelstein; Trent Martin
Cc: Donald McMaster
Subject: PDC Claims

Brent, Heather, Royce, and Trent:

As discussed previously, you each identified circumstances, primarily in 2012, where Brian Skeahan directed you to prepare materials or gather data for Mark McCrady's campaign. Or you were aware of activity Brian and/or Mark were involved in with District consultants where such activity was intended to benefit Mark McCrady's campaign. Each of you indicated that you would be willing to testify in this regard.

→ So, would each of you draft your statement of the circumstances and gather any supporting evidence? Please forward to Don and I by COB June 10, 2013.
Thanks, Gary.

RESP 6-A

- The salary foregone by a member who is terminated or voluntarily resigns, even if it is part of the employer's budget reduction strategy

Please let me know if you have any questions.

Thank you,
Kim

Kim Smith
Employer Support Services Manager

Washington State Department of Retirement Systems
360-664-7107 | kim.smith@drs.wa.gov | www.drs.wa.gov

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From: Conway, Eleanor (DRS)
Sent: Monday, February 06, 2012 8:50 PM
To: Royce Hagelstein
Cc: Robbie Berg; Paul Brachvogel
Subject: RE: Resolution...

Hi Royce,

I'll be in the office on Wednesday and will make sure we get you the response you need.

Eleanor M Conway
Washington State Department of Retirement Systems
Employer Support Services
State Social Security Coordinator
Old Age & Survivors Insurance (OASI) Program
eleanormc@drs.wa.gov | 360. 664.7980 | 360. 753-1090 FAX

From: Royce Hagelstein [<mailto:rhagelstein@cowlitzpud.org>]
Sent: Monday, February 06, 2012 2:09 PM
To: Conway, Eleanor (DRS)
Cc: Robbie Berg; Paul Brachvogel
Subject: RE: Resolution...

Good afternoon Eleanor;

Below is an email we received from you a few weeks ago regarding our Resolution 2616 which recognized a reduction in compensation for certain administrative personnel. It looks like you discussed the Resolution with your manager and you believe it does not meet the definition of a furlough and could not be include in the calculation.

As you correctly state, our General Manager is empowered to authorized to make adjustments per the Resolution and we are looking at all alternatives to fulfill our requirement under the Resolution. That said I want to make sure that the attached Resolution does not meet the definition of the "furlough" legislation. Is there someone in the Department that can review our Resolution and send us a formal determination that it does or does not meet the requirements? I don't

doubt that the definition may not be met, however, we are looking for something that can place in our files regarding our efforts in pursuing a favorable outcome to the affected employees.

Please let me know if you require further information and we certainly appreciate your assistance on this matter.

Thank you,

ROYCE HAGELSTEIN, CPA
Cowlitz PUD • 961 12th Ave • PO Box 3007
Longview, WA 98632
Direct 360.577-7545
Fax 360.577-7559
rhagelstein@cowlitzpud.org

From: Tami Ingalls
Sent: Wednesday, December 21, 2011 3:31 PM
To: Royce Hagelstein
Cc: Cheryl Krueger; Trent Martin
Subject: FW: Resolution...

FYI...

From: Conway, Eleanor (DRS) [<mailto:EleanorC@DRS.WA.GOV>]
Sent: Wednesday, December 21, 2011 3:29 PM
To: Tami Ingalls
Subject: RE: Resolution...

Hi Tami,

I'm sorry about that. I have reviewed this and discussed this with my manager.

My understanding in speaking with you is that the managers did not receive payment for any portion of the merit increase. If that is true, then it does not meet the definition of reportable compensation and should not be reported to DRS.

There was legislation that was passed for the 2009-2011 and 2011-2013 biennium's commonly known as the 'furlough' legislation that allowed for temporary reductions in salary or reduced salary due to reduced work hours to be included in the calculations of benefits, however, the way the resolution was written, it does not meet the definition of a furlough and would not be included in the calculation of benefits. It does appear that the General Manager is authorized to make any necessary adjustments to ensure there is no adverse impact to retirement benefits. Please contact me if/before any adjustments are done.

I have reviewed the calculation for Pat Lloyd and the forgone merit pay was included in the calculation of benefits. I will need to work with a retirement analyst to adjust his benefit but will wait until I hear back from you.

Please let me know if you have any questions or concerns.

Eleanor M Conway
Washington State Department of Retirement Systems
Employer Support Services
State Social Security Coordinator
Old Age & Survivors Insurance (OASI) Program
eleanorc@drs.wa.gov | 360. 664.7980 | 360. 753-1090 FAX

From: Tami Ingalls [<mailto:tingalls@cowlitzpud.org>]

Sent: Wednesday, December 21, 2011 2:51 PM

To: Conway, Eleanor (DRS)

Subject: Resolution...

Importance: High

Good Afternoon ☺ I didn't hear back from you so thought I should follow up with an email regarding the decision on whether the foregone raises should be reported to DRS...

Thanks!

Tami Ingalls, Accountant

Cowlitz PUD

423-2210 ex. 299

Brian Skeahan

From: Royce Hagelstein <rhagelstein@cowlitzpud.org>
Sent: Monday, February 13, 2012 1:22 PM
To: 'Smith, Kim (DRS)'
Cc: Conway, Eleanor (DRS)
Subject: RE: Resolution...

Thank you Kim. This puts it back on us to fix and we have had internal discussions on doing so.

Take care,

Royce

From: Smith, Kim (DRS) [mailto:KimS@DRS.WA.GOV]
Sent: Monday, February 13, 2012 10:59 AM
To: Royce Hagelstein
Cc: Conway, Eleanor (DRS)
Subject: FW: Resolution...

Royce,

I have reviewed your Resolution No. 2616 and foregoing a merit increase does not meet the definition of furlough and would not be included in the calculation of benefits. We actually listed this example in DRS Email 10-018. Here is a link to the notice. Please see bullet three below.

<http://www.drs.wa.gov/employer/drsn/10018.htm>

What other budget reduction situations generally will not qualify as a furlough under these provisions?

- Across the board pay cuts
- Other pay cuts that are not a result of a reduction in work hours
- Not providing expected pay increases, even if previously promised to employees, such as foregone cost of living or merit pay increases
- The salary foregone by a member who is terminated or voluntarily resigns, even if it is part of the employer's budget reduction strategy

Please let me know if you have any questions.

Thank you,
Kim

Kim Smith
Employer Support Services Manager

Washington State Department of Retirement Systems
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Cc: Robbie Berg; Paul Brachvogel
Subject: RE: Resolution...

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Eleanor M Conway
Washington State Department of Retirement Systems
Employer Support Services
State Social Security Coordinator
Old Age & Survivors Insurance (OASI) Program
eleonorc@drs.wa.gov | 360. 664.7980 | 360. 753-1090 FAX

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Sent: Monday, February 06, 2012 2:09 PM
To: Conway, Eleanor (DRS)
Cc: Robbie Berg; Paul Brachvogel
Subject: RE: Resolution...

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Please let me know if you requirement further information and we certainly appreciate your assistance on this matter.

Thank you,

ROYCE HAGELSTEIN, CPA
Cowlitz PUD • 961 12th Ave • PO Box 3007
Longview, WA 98632
Direct 360.577-7545
Fax 360.577-7559
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From: Tami Ingalls
Sent: Wednesday, December 21, 2011 3:31 PM
To: Royce Hagelstein

Cc: Cheryl Krueger; Trent Martin
Subject: FW: Resolution...

FYI...

From: Conway, Eleanor (DRS) [mailto:EleanorC@DRS.WA.GOV]
Sent: Wednesday, December 21, 2011 3:29 PM
To: Tami Ingalls
Subject: RE: Resolution...

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Eleanor M Conway
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Employer Support Services
State Social Security Coordinator
Old Age & Survivors Insurance (OASI) Program
eleonorc@drs.wa.gov | 360. 664.7980 | 360. 753-1090 FAX

From: Tami Ingalls [mailto:tingalls@cowlitzpud.org]
Sent: Wednesday, December 21, 2011 2:51 PM
To: Conway, Eleanor (DRS)
Subject: Resolution...
Importance: High

Good Afternoon ☺ I didn't hear back from you so thought I should follow up with an email regarding the decision on whether the foregone raises should be reported to DRS...

Thanks!

Tami Ingalls, Accountant
Cowlitz PUD
423-2210 ex. 299

RESP #6-B

Brian Skeahan

From: Royce Hagelstein <rhagelstein@cowlitzpud.org>
Sent: Monday, February 13, 2012 1:34 PM
To: Tina Watkins (watkinst@sao.wa.gov)
Cc: Trent Martin
Subject: FW: Resolution...
Attachments: Resolution No. 2616.Deviate from Salary Policy Temp. for top 13.4-14-09.pdf;
MEMO_Effects of Resolution No. 2616.pdf

Hi Tina;

When you have time can you please review the attached resolution? For a summary, 13 of the top salaried employees forfeited their merit increase in 2009, however, employees are to have no adverse impact on the retirement benefit -- meaning that just because the increase was forfeited for purposes of receiving cash, we were not to have our retirement benefits impaired. If you look at the email string below you'll see that DRS did not let us increase adjust our pension benefit for this. Now we are looking at was to make an adjustment and I am attaching a memo explaining a possible resolution which would provide a lump-sum payment to each employee in exchange for a release of liability. Brian Skeahan (GM), Paul Brachvogel (Gen Counsel) and Robbie Berg (HR) have met and agree this option is one we want to pursue. My question to you is do you see a problem with it from the perspective of the State Auditor's Office? Call or email me if you have questions or require further information.

Thanks and take care,

ROYCE HAGELSTEIN, CPA
Cowlitz PUD • 961 12th Ave • PO Box 3007
Longview, WA 98632
Direct 360.577-7545
Fax 360.577-7559
rhagelstein@cowlitzpud.org

From: Smith, Kim (DRS) [mailto:KimS@DRS.WA.GOV]
Sent: Monday, February 13, 2012 10:59 AM
To: Royce Hagelstein
Cc: Conway, Eleanor (DRS)
Subject: FW: Resolution...

Royce,

I have reviewed your Resolution No. 2616 and foregoing a merit increase does not meet the definition of furlough and would not be included in the calculation of benefits. We actually listed this example in DRS Email 10-018. Here is a link to the notice. Please see bullet three below.

<http://www.drs.wa.gov/employer/drsn/10018.htm>

What other budget reduction situations generally will not qualify as a furlough under these provisions?

- Across the board pay cuts
- Other pay cuts that are not a result of a reduction in work hours
- Not providing expected pay increases, even if previously promised to employees, such as foregone cost of living or merit pay increases

RESP #6-B

Confidential Attorney/Client Privileged Information

Memorandum

To: Brian Skeahan, General Manager, and to
Board of Commissioners

From: Paul Brachvogel, General Counsel

RE: Resolution 2616

Date: March 16, 2012

Factual Background

This memo examines the duty of the General Manager in connection with Resolution 2616, attached hereto.

On December 13, 2005 the Board passed a compensation policy known as HR-3, attached hereto. The policy was adopted as part of the Employee Handbook on June 8, 2010 under Resolution 2631. The policy affords non-represented employees an opportunity for increase in pay based on performance in the preceding year. Under HR-3, the salary increase known as "Merit Increase," increases the normal compensation of an employee for the year succeeding based on standardized scoring of performance. Those increases then become part of employees' annual final compensation (AFC) for the purposes of calculating Public Employee Retirement System (PERS) compensation.

At the time of Resolution 2616, the national and local economies were experiencing a significant downturn. Jobs were lost, incomes were reduced, and economic activity was continuing its decreasing trend. In recognition of this, the enumerated employees met in their regular staff meeting on April 7, 2009 and discussed whether to voluntarily waive their usual Merit Increase afforded under Policy HR-3 based on the standardized scoring that had recently been completed. See, Staff Meeting Notes, April 7, 2009 attached hereto. The amount each employee waived was ascertainable based on the standardized scoring. However, the issue of most concern to those employees was the impact such a waiver would ultimately have on their respective PERS benefits since the waiver would necessarily reduce the employees' AFC. The enumerated employees unanimously agreed that each would forgo their fixed Merit Increase and in exchange, the Board would authorize and direct the General Manager to ensure that no such waiver would adversely impact those employees' retirement benefits.

The Resolution was drafted to ensure the General Manager's discretion to adjust compensation in light of the waiver. This includes payment of net the present value (NPV) equal

to each fixed and waived amount, in the event PERS would not impute the waived amount as part of the employee's AFC. The Resolution states the General Manager is generically authorized and required to make such compensation adjustments necessary to ensure the waiver "have no adverse impact on the retirement benefits of those listed" in the Resolution. The Resolution provided for enforceability by the enumerated employees through a breach of contract theory, wage statute, or in the alternative a Writ of Mandamus.¹

Staff consulted with PERS to determine whether the fixed waived income could be imputed for PERS benefit calculation. PERS determined that the amount may not be imputed for PERS calculation purposes. In order to comply with the Resolution, the General Manager intends to use the alternative approach of payment of the NPV amount for each employee. See the attached calculations demonstrating the payments. In exchange for the NPV payment, each employee shall execute a release of further claims against the District in substantially the form of the attached example.

Issue Presented

Whether the District may lawfully pay each enumerated employee the NPV of their respective lost future stream of retirement income otherwise afforded under PERS in order to comply with the Board's directive in Resolution 2616.²

Analysis

PUD Authority. Public utility districts ("PUDs") are municipal corporations established and authorized under Title 54 RCW. The public utility statute states that their purpose is "to conserve the water and power resources of the State of Washington for the benefit of the people thereof and to supply public utility service, including water and electricity for all uses." Laws of 1931, ch. 1, § 1. Publicly owned utilities, such as PUDs, "have a duty to provide low cost, efficient service." *City of Tacoma v. Taxpayers of Tacoma*, 108 Wash. 2d 679, 696 (1987).

¹ See general wage statutes, RCW 49.46.090, 49.46.030; and 49.52.050(2) together authorizing twice the unpaid wages, attorneys fees and costs; and statute governing Writ of Mandamus, RCW 7.16.160; and, see *Thompson v. St. Regis Paper Co.*, 102 Wash.2d 219, 685 P.2d 1081 (1984) for the contention that the employees may enforce the Resolution as a matter of contractual right.

² Two employees will not receive any compensation under the Resolution: Paul Brachvogel, General Counsel, and Sherry Crayne, former Director of Customer Services. As to the General Counsel, the Rules of Professional Conduct (RPCs) adopted by the Washington State Supreme Court to which all attorneys shall adhere, prohibits an attorney from representing a party in a matter in which he has a conflict of interest. RPC 1.7 defines a conflict of interest as one where there is a significant risk that the representation of one client will be materially limited by a personal interest of the lawyer. Given the risk of violating RPC 1.7 by drafting this memo, I have waived any interest in the NPV payment. As to the former Director of Customer Services, no performance evaluation was conducted prior to her retirement in May of 2009 and, therefore, there was no fixed ascertainable amount to which she was entitled. As to Doug Wood, his NPV payment will be deferred until such time he is a vested party under PERS, which will take place in September 2012. The same mathematical calculation shall be used in determining the NVP amount. As to Dave Andrew, a PERS I employee, payment of the NPV shall be deferred until his retirement in order to ensure his receipt of all retirement benefits.

As a municipal corporation, a PUD has powers that include those expressly granted by statute, those “necessarily or fairly implied in or incident to powers expressly granted by statute, and . . . those essential to the declared objects and purposes of the corporation.” *Hite v. PUD No. 2 of Grant County*, 112 Wash. 2d 456, 458-59 (1989); cf. *Okeson v. Seattle*, 159 Wash. 2d 436, 150 P.3d 556 (2007) (holding that utility’s program to mitigate effects of its greenhouse gas emissions by paying public and private entities to reduce those entities’ emissions is not a proprietary utility purpose). Where the municipal corporation acts in a proprietary capacity, Washington courts construe its powers, express or implied, broadly. See *City of Tacoma*, 108 Wash. 2d at 693-95. In such a proprietary capacity, the Washington State Legislature implicitly has authorized public utilities to “make all contracts, and to engage in any undertaking necessary to make [their] electric utility systems efficient and beneficial to the public.” *Hite*, 112 Wash. 2d at 60; see also *City of Tacoma*, 108 Wash. 2d at 694-95. Acting in a proprietary capacity, a municipal corporation may take any action so long as that action is within the purposes of its statutory grant of power, consistent with statutory and constitutional limitations, and so long as the action is not arbitrary, capricious or unreasonable. See *id.* at 695. Therefore, in the absence of arbitrary, capricious or unreasonable decision making, the judiciary will not second-guess the business decisions of local PUD commissioners in the course acting within its proprietary capacity.

In the employment and retention of technical and professional staff, a PUD “engage(s) in purely proprietary undertakings in direct competition with private corporations or individuals engaged in the same business.” *Christie v. Port of Olympia*, 27 Wash. 2d 534, 548 (1947). The District is specifically authorized to “make contracts, employ engineers, attorneys, and other technical or professional assistance . . . and do all other things necessary to carry out the provisions of this title.” (RCW 54.16.090). “The power to employ includes the power to contract, and as a corollary, the district necessarily has the implied power to make such contracts relating to wages, hours, vacations, etc., as are customarily offered to electricians by its competitors in the same business.” Wash. AGO 1953-55 NO. 93 (Wash.A.G.), 1953 WL 45095 (Wash.A.G.) (examining a special purpose district’s authority to enter into a labor contract with retroactive applicability and finding no constitutional prohibition). Accordingly, the District had statutory authority to pass the Resolution in its proprietary capacity; and, the General Manager has both the discretion and duty to implement the directives of the Board.³

No Constitutional Prohibition. Having established statutory authority, the next question whether there are state constitutional restrictions on payment of a NPV to each of the enumerated employees. Art. VII, sec. 7, of the state constitution prohibits “extra compensation”

³ The statutory scheme vests control over the municipal corporation in the commissioners and manager. RCW 54.12.101 describes the authority of commissioners, and states in part: “The powers of the public utility district shall be exercised through a commission consisting of three members in three commissioner districts, and five members in five commissioner districts.” RCW 54.16.100 vests authority in the General Manager, and states in part: “The manager shall carry out the orders of the commission, and see that the laws pertaining to matters within the functions of his or her department are enforced . . . establish a scale of compensation to be paid for the different classes of service required by the district; hire and discharge employees under his or her direction . . .”

in violation of Art. II, sect 25 of the constitution.⁴ In *Christie v. Port of Olympia, supra*, the state Supreme Court held there was no merit to the contention that retroactive payments made upon execution of a new labor agreement were either “gifts” in violation of Art. VIII, § 7, of the Constitution or “extra compensation” in violation of Art. II, § 25 of the state Constitution. Such payments do not constitute anti-constitutional “extra compensation” since payment was made on a predetermined amount fixed by contract or by law. Such “payments were merely deferred.” See also *Matter of Mahon v. Board of Education of City of New York*, 63 N.E. 1107, 1108. *Metropolitan Life Insurance Company v. Durkin*, 91 N.Y.S. (2d) 26, 35. *Christie v. Port of Olympia, supra*; *Martin v. Campanaro*, 156 F. (2d) 127, cert. den., 329 U.S. 759; *Evadan Realty Corporation v. Patterson*, 78 N.Y.S. (2d) 114. Here, there was a fixed, predetermined amount to which each employee was lawfully due since the Merit Increases had been calculated before the employees agreed to the waiver.

Generally, whether the amount is “fixed” turns on whether the Resolution is enforceable by the enumerated employees. In this case the Resolution is enforceable. Under Washington State law, “An action may be maintained against . . . public corporations... upon a contract made by such ... public corporation in its corporate character and within the scope of its authority.” (RCW 4.08.120). In addition, “All local governmental entities, whether acting in a governmental or proprietary capacity, shall be liable for damages arising out of their tortious conduct, or the tortious conduct of their past or present officer . . . to the same extent as if they were a private person or corporation.” (RCW 4.96.010). Public utility districts “may be sued.” (RCW 54.16.110). A civil action may be maintained against the District, as a public utility district formed under the laws of the State of Washington. I call to your attention the provisions of RCW 54.16.110 which state that venue for an action against the District lies in Cowlitz County or in any other county in Washington in which the District operates facilities.

Specifically, enforceability may be obtained through various legal theories. First, courts recognize contractual rights belonging to at will employees. *Thompson v. St. Regis Paper Co.*, 102 Wash. 2d 219, 685 P.2d 1081 (1984). There is an express contract in the form of the Resolution, and an implied contract in the form of promises set forth in the Employee Handbook which contains the HR-3. “Promises of specific treatment in specific situations *found in an employee manual or handbook issued by an employer to his or her employees* may, in appropriate situations, obligate the employer to act in accord with those promises.” *Thompson*, at p. 233. Second, the enumerated employees may avail themselves of remedies under RCW

⁴ Washington State Constitution, Art. 8, § 7. “Credit not to be Loaned No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.”

Washington State Constitution Art. 2, § 25. “Extra Compensation Prohibited: The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered, or the contract entered into, nor shall the compensation of any public officer be increased or diminished during his term of office. Nothing in this section shall be deemed to prevent increases in pensions after such pensions shall have been granted.”

49.48 et. seq. which gives protection to an employee who has not been paid wages that are justly due by authorizing a complaint to the Department of Labor and Industries. "Wage" means compensation due to an employee by reason of employment and would include the waived and fixed Merit Increase. (RCW 49.46.010). The enumerated employees also may enforce the Resolution under the general wage statutes, RCW 49.46.090, 49.46.030; and 49.52.050(2) together authorizing judicial award of twice the unpaid wages, attorneys' fees and costs. Third, and alternatively, the enumerated employees may also obtain a Writ of Mandamus under RCW 7.16.160 ordering the General Manager to make those compensation adjustments necessary to ensure the 2009 deviation of HR-3 have no adverse impact on their retirement benefits.⁵

Accordingly, the employees' right to the predetermined, fixed amount is enforceable under law.

Arbitrary, capricious or unreasonable standard of review. In these circumstances, judicial review is limited to whether the General Manager's decision to compensate by payment of the NPV an arbitrary, capricious or unreasonable action. Lump sum payment is reasonable and neither arbitrary nor capricious for the reasons which follow: (1) The General Manager is *required* to make such compensation in order to ensure no adverse impact on the employees' retirement. (2) Payment is in keeping with the Board's long-standing strategic plan requiring the General Manager to take commercially reasonable efforts to "attract and retain great employees". See Strategic Plan attached hereto, adopted by the Board prior to Resolution 2616. (3) Resolution 2616 was the result of deliberative process after it was placed on the District's official agenda, evaluated and discussed in public where the public was afforded an opportunity to comment at the Board's Regular Meeting of April 14, 2009. (4) The use of NPV is reasonable as PERS declined to impute the waived Merit Increase under the employees' AFC. (5) Imposing a present value discount to a future stream of income is a preferred judicial remedy for the loss of future stream of income.⁶

Authority of District to Pay the NPV amount. Consistent with the assumptions and the legal analysis set forth above, I believe and advise you that a court of competent jurisdiction would find that:

1. The payment of the NPV sums to the enumerated employees is within the District's statutory authority or that necessarily implied.

⁵ The applicant for a writ of mandamus is required to satisfy three elements before a writ will issue: (1) the party subject to the writ is under a clear duty to act; (2) the applicant has no plain, speedy and adequate remedy in the ordinary course of law; and (3) the applicant is beneficially interested. The act of mandamus compels performance of a duty of a public official. *Eugster v. City of Spokane*, 118 Wn. App 383 (2003); and, RCW 7.16.160, 7.16.170.

⁶ See, *Kellerher v. Porter*, 29 Wash. 2d 650, 189 P.2d 223 (1948) for the proposition that future economic damages should be discounted for present value. See also, 6A Wash. Prac., Wash. Pattern Jury Instr. Civ. WPI 330.82 (5th ed.), WPI 330.82 Damages—Employment Discrimination—Future Lost Earnings (Front Pay) "In calculating damages for future wage loss you should determine the present cash value . . ." See also, 6 Wash. Prac., Wash. Pattern Jury Instr. Civ., WPI 34.02 (5th ed.) Future Economic Damages—Present Cash Value: "Any award for future economic damages must be for the present cash value of those damages."

2. The payment of the NPV sums do not violate any statutory or constitutional prohibition, and are a reasonable exercise of the District's powers.
3. No approval, consent or authorization of the Board is necessary as condition precedent to making the payment. *

This opinion is furnished to the General Manager and Board at the suggestion of the State Auditor's office and at the direction of the General Manager. It is solely for your benefit and is not to be used, circulated, quoted, referred to, delivered or relied on by any other person or in any other way without written consent of the District.

RESP #6-D

HEINTZBERGER | PAYNE
Client-Driven Investment Services

November 2, 2012

Mr. Trent Martin
CFO
Cowlitz PUD
Sent via email

12511 SW 68th Avenue
Portland, Oregon 97223
Phone: (503) 597-1600
Fax: (503) 597-1649
Toll Free: (888) 937-4015

Subject: Review of 2012 lump sum calculations

Mr. Martin,

We have been asked to review and comment on lump sum calculations, assumptions, and methodology prepared by Public Utility District No. 1 of Cowlitz County for the purpose of settling obligations related to Resolution No. 2616. The PUD prepared the calculation to determine the amount needed to reasonably reimburse certain employees for the retirement benefits that did not accrue due to a foregone pay increase in April 2009. Payment is expected to be made in November 2012, and accruals are calculated through October 2012.

We have completed our review of the sample lump sum calculation provided by the District. Although there are some aspects of the calculation that we have commented on below, we have found the calculation to be reasonable and have not found any material problems with either the methods used or the calculation itself.

There are two aspects of the calculation that we would like to discuss further:

Age and Vesting Service

The employee's age and vesting service are both calculated using the Excel function "Now()", which returns the age and service on the day that the calculation is run. As a result, the employee's age and service (and their lump sum payment) will change slightly depending on when the calculation is viewed. We would recommend calculating the employee's age as of the expected payment date, and adding an explicit date on which vesting service will end. An example of how this change could be made is attached with this letter as a modified version of the example calculation.

Compensation

In calculating the high 5-year average compensation used to determine benefit accruals, our understanding is that two months of compensation from 2007 and ten months of compensation from 2012 will be used. The example calculation does not yet include a full ten months of compensation from 2012, but we expect that this will be updated when the information is available. The value of missed accruals is being calculated through the

Mr. Trent Martin
November 2, 2012

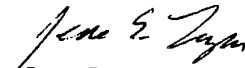
page 2

month of October 2012, and it makes sense that this same time period would be used to calculate the high 5-year average.

We also note that annual compensation as calculated from the monthly pay rate is slightly different from the annual compensation used to determine the high 5-year average. However, because of how the missed accruals are calculated these small differences are not expected to affect the value of the lump sum.

We did not find any other areas of concern in the calculation provided. The discount rate of 3%, use of life expectancy, and calculation of missed accruals all seem reasonable as presented. If any of the descriptions above regarding the calculation method or intent are incorrect, please let us know as this could affect our opinion on the reasonableness of the calculations.

Sincerely,



Jesse Lauzon
Actuarial Assistant

RESP #6-D

> -----Original Message-----

> From: Trent Martin

> Sent: Friday, November 09, 2012 12:33 PM

> To: Brian Skeahan; Paul Brachvogel; Royce Hagelstein; Robbie Berg

> Subject: FW: Review of lump sum calculations

>

> Hi All - does this verbiage meet our needs?

>

> Thanks

>

>

> TRENT MARTIN, CPA

> CHIEF FINANCIAL OFFICER

> Cowlitz PUD * 961 12th Ave * PO Box 3007 Longview, WA 98632 Direct

> 360.577-4687 Fax 360.577-7559 tmartin@cowlitzpud.org

>

> -----Original Message-----

> From: Jesse Lauzon [mailto:jessel@HeintzbergerPayne.com]

> Sent: Monday, November 05, 2012 11:39 AM

> To: Trent Martin

> Subject: RE: Review of lump sum calculations

>

> Trent - please see the attached and let me know if this will work for the PUD. I believe only the first two paragraphs have any change in language.

>

>

> Jesse Lauzon

> Actuarial Assistant

>

> -----Original Message-----

> From: Trent Martin [mailto:tmartin@cowlitzpud.org]

> Sent: Monday, November 05, 2012 10:12 AM

> To: Jesse Lauzon

> Subject: RE: Review of lump sum calculations

>

> Understand - thank you

>

>
> TRENT MARTIN, CPA
> CHIEF FINANCIAL OFFICER
> Cowlitz PUD * 961 12th Ave * PO Box 3007 Longview, WA 98632 Direct
> 360.577-4687 Fax 360.577-7559 tmartin@cowlitzpud.org
>

> -----Original Message-----

> From: Jesse Lauzon [mailto:jessel@HeintzbergerPayne.com] 
> Sent: Monday, November 05, 2012 10:06 AM 
> To: Trent Martin
> Subject: RE: Review of lump sum calculations
>

* > Hi Trent - I haven't forgotten you, but want to discuss the situation with some of the senior staff before getting back to you.

>
>
> Jesse Lauzon
> Actuarial Assistant
>

REPORTING - E

To: Cowlitz PUD Board of Commissioners
Brian Skeahan, General Manager

From: Royce Hagelstein, Auditor

Re: Resolution No. 2616 – Authorizing a Reduction in Compensation for Top Administrative Personnel

Date: November 9, 2012 ←

In April of 2009 the Board of Commissioners adopted Resolution No. 2616 which authorized the General Manager to deviate from HR-3 (Employee Compensation Policy) by foregoing merit pay increases for the remainder of 2009 for 13 employees. The Resolution also stated that "The General Manager is hereby authorized and required to establish those compensation adjustments necessary to ensure the 2009 deviation of HR-3 as set forth above shall have no adverse impact on the retirement benefits of those listed herein".

After several months of review by the District and the State, the State concluded that they were unable to provide a revised actuarial calculation that would include the provisions of the Resolution. As a result and in order to satisfy the District's duty and obligation under the Resolution:

- The District's General Counsel prepared an opinion confirming that the use of the Net Present Value of the waived compensation increase was a lawful means of satisfying staff's obligation of the Resolution. This opinion was reviewed by Gordon Thomas Honeywell, outside counsel, and they affirmed General Counsel's conclusion.
- District staff prepared calculations that took into account a number of factors including employee age, years of service, life expectancy, plan type (PERS 1 or 2), foregone wages, and years until retirement.
- Engaged Heintzberger Payne, an actuarial firm, to review the calculations, assumptions and methodology. The firm found the calculations to be reasonable and without material problems with either the methods used or the calculation itself. District staff updated the calculations for the minor revisions suggested by the actuarial.

The District has received signed releases from each of the impacted employees and at this time I recommend that the District disburse \$92,745.30 to these employees and satisfy its duty and obligation under the Resolution.

RESPONSE 6-20-12

Colville PUD

Resolution 2616 Effect on Employee Retirement

As of November 21, 2012

Employee	Accumulated Foregone Wages	Effect On Retirement Values	
		Benefit @ 62/Retirement	NPV Cash Out
1 Brian Skeahan	\$ 49,687.25	\$ 50,656.07	
2 Don McMaster	\$ 8,433.72	\$ 16,475.10	
3 Paul Brachvogel	\$ -	\$ -	
4 Monte Roden	\$ -	\$ -	
5 Pat Lloyd	\$ -	\$ -	
6 Doug Wood	\$ 33,864.15	\$ 9,459.48	
7 Steve Lafady	\$ -	\$ -	
8 Sherry Crayne	\$ -	\$ -	
9 Diana MacDonald	\$ 5,880.86	\$ 5,246.68	
10 Royce Hagelstein	\$ 27,441.87	\$ 10,323.25	
11 Rick Syring	\$ 12,696.36	\$ 4,646.61	
12 Dave Andrew	\$ -	\$ -	
13 Gary Huhta	\$ 14,988.64	\$ 16,176.84	
Totals	\$ 152,992.85	\$ 112,984.04	

\$ 92,745.30

RESPONSE
#6-D

Brian Skeahan

From: Royce Hagelstein <rhagelstein@cowlitzpud.org>
Sent: Saturday, November 10, 2012 10:03 AM
To: Mark McCrady; Brian Skeahan; Buz Ketcham; Ned Piper
Cc: Paul Brachvogel; Robbie Berg
Subject: Resolution No. 2616
Attachments: Board Memo 11092012.pdf; Resolution No. 2616.Deviate from_Salary Policy Temp. for top 13.4-14-09.pdf

Good morning;

Over the last few years the District has maintained records related to Resolution No. 2616 which was adopted in April 2009. This Resolution pertained to those employees that forfeited their merit wage increase for that year. A few of the employees listed in the Resolution have retired and the District has honored its obligation to ensure that forfeiture of the merit increase would not harm retirement benefits. Please review the attached memo which summarizes the obligation and presents the methodology and support for the calculations. I am also attaching a copy of the Resolution.

Please let me know if you have questions or require further information.

Regards,

ROYCE HAGELSTEIN, CPA
Cowlitz PUD • 961 12th Ave • PO Box 3007
Longview, WA 98632
Direct 360.577-7545
Fax 360.577-7559
rhagelstein@cowlitzpud.org

RESPONSE
6-E

Skeahan said he was trying to complete implementation of the 2009 pay surrender, approved by the board, which authorized him to make the payments.

"Those payments were made in accordance with board-adopted policy. The board actions specifically authorized that. The PUD auditor and the attorney were aware that," Skeahan said Tuesday.

- Awarding of a 2.7 percent merit pay increase for Skeahan in March 2011, totalling \$7,789. Auditors said commissioners met in executive session to discuss Skeahan's performance, but they took no action in open session authorizing the raise. The commissioners should have voted in public on the merit pay, auditors said.

Skeahan, hired as general manager in 2005, said commissioners have handled merit pay increases in the same way since he started.

"That was a matter that the board deliberated on, and they chose to put my compensation and merit adjustments under the same policy, using essentially the same processes and procedures, as every other employee," Skeahan said. "Certainly there was nothing done with regards to my compensation that the board was not aware of, and to suggest otherwise is a misrepresentation."

- Payments made into Skeahan's retirement account in the years 2011 and 2012 were \$11,947 above his normal retirement compensation. Auditors said the extra payments were not approved by commissioners — and should have been approved in public session.

Skeahan, however, said handing out additional retirement payments was a PUD policy that had been approved years before.

Commissioner Merritt "Buz" Ketcham wrote in an email that he had thought employees would see small adjustments to retirement pay, not cash payments. He said commissioners did approve the vouchers at the end of last year, but he thought the payments were a result of employees cashing out vacation pay.

He added that commissioners will now approve the general manager's compensation separately from other employees' pay to avoid future confusion.

Commissioner Ned Piper was traveling on PUD business Tuesday and was unavailable for comment.

Commissioner Kurt Anagnostou, who made Skeahan's performance and compensation a campaign issue last year, said the utility needs to review its internal controls managing payments.

"I think the PUD has to change some of its protocols on how some of those things are handled," said Anagnostou, who had not yet been elected to the commission when the payments were made.

Commissioners voted to fire Skeahan Jan. 24 following a closed-door meeting. The state's Public Disclosure Commission is investigating Ketcham's allegations that Skeahan improperly interfered with last year's commission race between Anagnostou and incumbent Mark McCrady. According to Ketcham, Skeahan allegedly ordered PUD staff members to appear in a McCrady campaign photo.

TDN Online Editor, email: sheisel@tdn.com

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- Two PUD commissioners seeking censure for Piper
- Bid to recall PUD Commissioner Piper officially begins

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U.S. Public Power Rating Criteria

Sector-Specific Criteria

RESP #6-6

Inside This Report

Scope	1
Key Rating Drivers	1
Public Power Ratings in Context	2
Governance and Management Strategy	2
Assets and Operations	3
Cost Structure	6
Financial Performance and Legal Provisions	7
Customer Profile and Service Area	12
Key Rating Considerations	14

This criteria report replaces the prior version of the same title, dated Jan. 11, 2012. There have been no substantial changes to the criterion.

Scope

This criteria report details Fitch Ratings' approach to rating U.S. public power systems. It is a sector-specific extension of Fitch's global master criteria report, "Revenue-Supported Rating Criteria." More specifically, the report elaborates on five key areas of operational and financial importance to the credit quality of municipal and cooperative power entities: governance and management strategy; assets and operations; cost structure; financial performance and legal provisions; and customer profile and service area.

These key elements of Fitch's public power rating criteria remain largely consistent with its prior criteria reports. However, the weighting of individual credit factors changes as the industry evolves, particularly in response to new regulatory initiatives or as new market dynamics emerge. In addition, not all rating factors outlined in this report apply to each individual rating or rating action. Each specific rating action commentary or rating report discusses those factors most relevant to the individual rating decisions.

Related Research

2013 Outlook: U.S. Public Power and Electric Cooperative Sector — Nothing Shocking (December 2012)
U.S. Public Power Peer Study — June 2012 (June 2012)

Key Rating Drivers

Rate Sufficiency and Flexibility: A public power utility's ability and willingness to maintain rates sufficient to meet all of its financial obligations is of paramount importance. Fitch considers how a utility's rate structure affects its capacity for the full and timely recovery of costs, as well as its flexibility to raise additional revenue. Ratemaking autonomy and the process for adjusting rates factor into this analysis.

Comprehensive Strategic Planning and Risk Management: The extent of strategic planning and risk management performed by a utility is a key indicator of management's preparedness and sophistication, and an important rating factor. Fitch typically reviews prior strategic and financial plans versus actual outcomes, as well as newly adopted strategies, to gauge management effectiveness.

Resource Adequacy and Performance: Ensuring the adequacy of power supply resources to meet current and projected demand is a fundamental planning requirement of public power utilities. Together with demonstrated operating efficiency, it is an important factor in providing a low-cost, reliable energy supply. Fitch measures resource adequacy and performance against industry standards for cost and reliability.

Financial Strength and Forecasting: The strength and stability of a utility's financial metrics reveal its ability to meet all financial obligations, and detailed financial forecasting provides an indication of future performance. Fitch reviews a broad array of historical and projected financial metrics in an assessment of a utility's financial strength, as well as a utility's adherence to adopted financial policies. Financial metrics focus principally on three core areas: cash flow, liquidity, and capital structure.

Service Area Composition and Depth: Service area characteristics demonstrate the breadth, depth, and stability of a utility's constituents, as well as their financial wherewithal. Fitch considers customer composition and concentration; income levels; and employment, population, and sales growth trends in this assessment.

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Off-System Sales and Purchases

Heavy reliance on off-system sales is viewed as a negative credit factor as revenues tend to be more volatile, reflecting inherently variable power market prices. However, a power generator's off-system sales to non-native load can reduce existing customers' costs or provide surplus funds for reinvestment in system facilities, depending on market conditions.

Conversely, spot purchases can increase overall cost efficiency if power generators can purchase power in the open market when the cost is beneficial (the market cost of power is lower than the cost of a system's own generation). However, short-term purchases will also expose issuers to greater cost volatility.

Distribution and Transmission

Fitch's review of a distribution system includes an assessment of its reliability, as measured by the frequency of outages, line losses, etc., and the extent and timeliness of necessary capital improvements for its traditionally "wires only" infrastructure. Fitch views the distribution function largely as a monopoly-type, stable business with limited business risk.

Fitch evaluates the level of historical and planned system investment to determine if customer growth will affect the operations of the existing system relative to a peer group. Fitch also reviews a utility's business strategy regarding its transmission connection with a regional operator or other transmission system that can provide it with reliable access to market power, if needed.

Cost Structure

Fitch analyzes a utility's cost structure and methods of adjusting rates to determine its rate-raising flexibility for the timely funding of financial operations and capital needs. The analysis is conducted "bottom up," by looking at the costs to generate (or purchase) and supply electricity to customers, and "top down," by examining the structure of retail rates charged to different customer classes. A utility with overall rates that are below neighboring systems or systems with similar fuel mixes is generally viewed as having greater flexibility to use rates as a tool for funding, and strong service territory income measures typically enhance this flexibility.

Local Rate-Setting Authority

Fitch views the flexibility most municipal systems and electric cooperatives have to independently adjust rates as a positive credit factor and distinguishing characteristic from comparable investor-owned utilities. Most public power systems are not subject to regulation by state public service commissions. Instead, public power systems typically maintain local authority to adjust rates as needed, which contributes to the timely recovery of costs. This provides management with the ability to raise rates to maintain financial stability, build liquidity, or pay for portions of a capital improvement plan.

Fitch also considers the use of automatic or interim rate adjustments, which further ensure timely cost recovery, in its assessment of a utility's rate structure. Interim adjustments that may be implemented by a utility's management team — without the involvement of a governing board — can help ensure the overall stability of financial operations.

Attributes: Cost Structure

Stronger

Sole authority to set appropriate customer or member rates and a demonstrated willingness to do so.
Retail/wholesale rates are typically below those of neighboring utilities and frequently more competitive nationally.
Competitive "all-in" production costs.
Use of an automatic monthly fuel or purchased power adjustment surcharge for timely recovery of variable energy and fuel costs.
Timely and measured rate increases in anticipation of multiyear capital spending.

Midrange

Authority to set customer or member rates, subject to the approval of an elected city council.
Comparable rates to neighboring utilities, and within range of regional averages.
Use of a fuel or purchased power adjustment surcharge typically adjusted less frequently than monthly.
Well documented rate strategy for servicing capital spending and related debt obligations.

Weaker

Outside regulatory approval required for rate increases.
Political pressure that might limit or postpone needed rate increases, which could ultimately affect a utility's financial metrics.
Above-average rates relative to a peer group, which reduces flexibility for managing unforeseen operating or other capital expenses.
Lack of any fuel or purchased power adjustment factor.

The rates of wholesale power suppliers, including joint-action agencies and generation and transmission cooperatives, and their distribution members are compared at the wholesale and retail levels, respectively.

Rate Competitiveness and Affordability

Fitch analyzes rate affordability with a mixture of qualitative and quantitative factors. While this area typically does not have a significant impact on rating outcomes, Fitch's perception of high or volatile rates, lack of future rate flexibility, or difficulty in obtaining timely rate relief may influence a utility's rating. Fitch believes credit is due to those systems that consistently raise rates to preserve financial strength. However, Fitch believes these activities will be more sustainable when rate affordability is a focus of policymakers and cost containment is regularly employed. Fitch reviews a utility's rates relative to neighboring systems and against service area income levels to gauge rate competitiveness and affordability.

Financial Performance and Legal Provisions

The assessment of a utility's financial performance and policies, and the legal provisions underpinning specific debt issuances, are important considerations in Fitch's rating process. Fitch reviews five years of audited financial statements for an established utility to understand its historical trends and competitive position relative to a peer group. A utility's operating results, liquidity levels, and capital structure are evaluated. Financial projections, including planning assumptions for load growth, rate increases, and expenses, are likewise critical to the rating process. Fitch also examines the financial profiles of a wholesale power provider's members as necessary, to the extent that information is available.

How We Measure Willingness to Recover Costs for the Grid

Moody's evaluates the governing board's rate-setting process for its transparency and timeliness in setting the rates and charges necessary to ensure costs, including debt service, are fully recovered. A key measure is the number of days it takes to implement new rates and collect the additional revenues. A demonstrated record of willingness to charge the rates required to recover operating and capital costs, provide a cushion for debt service coverage, and maintain sound liquidity, is a credit positive and likely to result in a higher score on this factor.

Moody's continues to believe the rate-setting process will be tested in the next several years as power supply costs rise due to increased environmental regulation, demand growth remains slow due to the slow economic recovery, and utilities shift to cleaner and more expensive fuels.

A city council typically holds two readings with a final public hearing before new rates can be implemented and collected on the customer's bill. This process is typically concluded within 60 to 90 days. The longer and more complicated the process, the more pressure the delay may put on a public power utility's liquidity. A mitigating factor for many utilities, which we factor into our ratings assessment, is the use of fuel hedging programs and enterprise risk management strategies, which, if effective, may be a positive credit factor in controlling costs while a new rate policy is being considered. In the end, the willingness to establish timely new rates to meet the appropriate cost recovery requirement is weighted heavily in this rating factor. This is of particular importance when considering a utility's capital program and whether future rates will be sufficient to manage increased debt service requirements.

While always an important rating consideration, the ability to automatically adjust rates for fuel or power purchase cost increases has become a more notable credit factor in the past decade given the fluctuations in natural gas prices, ongoing hydrology risk, and the volatility of the wholesale power market. Utilities that have an automatic fuel and purchased power cost adjustment mechanism are able to recover these costs on a timely basis. Such adjustment mechanisms serve to narrow the potential drain on liquidity and the resulting impact on credit quality and are of particular importance should there be a fuel price spike or a forced outage of a generating unit.

Political risk that impedes a utility's willingness to enact rates and charges sufficiently and quickly to maintain the associated financial metrics for a utility's rating category would result in a lower score assigned to this rating factor. In cases where a utility's management has established planning targets for financial metrics that are lower than the associated financial metrics for a utility's rating category and the utility has consistently met those targets, Moody's may score the utility's willingness at a level higher than its financial metrics may indicate.

A key consideration in Factor 2 is the relationship of the local government to the electric utility. This will not always be a factor, as some utilities have no fiscal relationship with a local government or the utility may have been established as a separate and independent authority. We consider who governs the utility, who sets its rates, and who issues the revenue bonds for the utility, as well as the degree to which the general government is responsible for supporting the utility in times of financial stress. Local governments have a strong record of supporting their public power electric utilities in times of fiscal stress. For example, during the 2001 Western Energy Crisis, the City of Seattle (rated Aaa) used its significant liquidity to assist the city utility, Seattle Light (rated Aa2), to recover from a short-term cash flow problem. The city then implemented rate surcharges in a timely fashion to bolster utility finances.

General Fund Transfer (GFT) policies are also an important issue Moody's evaluates since the policy is an example of the relationship between a utility and their local government. The GFT is the transfer of surplus utility revenues from the utility to the city's General Fund. Moody's believes an established GFT transfer policy that is accepted by both the utility and the local government adds credit strength for both entities as it increases the predictability of the transfer amount. However, when a transfer policy is established after a contentious debate and represents a substantial portion of the utility's own revenues, this could have a negative rating impact if it produces uncompetitive electric rates or leaves limited internal funds available for utility operations, maintenance, and repairs.

→ Rating Factor 2 – Willingness to Recover Costs with Sound Financial Metrics (25% weight) ←

Aaa	Aa	A	Baa	Ba
Excellent rate-setting record; Rates, fuel, & purchased power cost adjustments less than 10 days; No political intervention in past or extremely high support from related government; Very limited General Fund transfers governed by policy	Strong rate-setting record; Rates, fuel, & purchased power cost adjustments 10 to 30 days; Limited political intervention in past or high support from related government; Conservative and well-defined General Fund transfers governed by policy	Adequate rate-setting record; Rates, fuel, & purchased power cost adjustments 31 to 60 days; Some political intervention in past or average support from related government; Moderate General Fund transfers	Below average rate-setting record; Rates, fuel, & purchased power cost adjustments 61 to 99 days; Persistent political intervention or below average support from related government; Large General Fund transfer not governed by policy	Consistent record of insufficiently setting rates; Rates, fuel, & purchased power cost adjustments 100 days or more; Highly political climate or no support from related government; Sizeable General Fund transfer not governed by policy

Rating Factor 3 – Management of Generation Risks (10% weight)

Why it Matters

As an owner of power generating assets, the management of the generation risks and power supply costs and reliability has an influence on other rating factors like the utility's financial metrics and competitiveness. How the utility meets its current electricity demand and plans for future demand has direct bearing on the utility's leverage, customer satisfaction on rates and service reliability, and often the political support for the utility. Political support rooted in customer satisfaction can translate into greater willingness to establish the revenue requirements needed to keep the utility in sound financial condition. Public power electric utilities must keep the confidence of their governing board and the community. A lack of operational success could lead to questions as to why the public power electric utility is in this business in the first place.

The electric industry is a capital intensive industry and a public power electric utility's short-term decisions often have an impact on the utility's long-term success. Management's successful resource planning is fundamental to the utility's outlook given the need to provide low cost reliable power supply to its customers. Today this factor is becoming increasingly more challenging to manage given looming environmental regulations related to clean air and renewable standards.

How We Measure Management of Generation Risks for the Grid

When evaluating the management of generation risks, Moody's considers the diversity of a utility's power supply and the cost and reliability of each source. Maintaining a diverse fuel and resource mix increases the utility's flexibility to manage peak demand while limiting the utility's exposure to volatile commodity and energy market prices, disruptions in the delivery of a single fuel source, or increased costs associated with a particular asset, like the cost of environmental compliance. To the extent possible we review the utility's generation performance record, including availability (% of time a unit is operational); capacity factor (% of rated capacity the generation unit runs); and heat rates (efficiency of a generator to convert fuel into electrical energy). Moody's will evaluate these performance

- Diverse supply sources;
- Favorable fuel supply arrangements coupled with cost containment strategies;
- Widespread transmission access that does not depend completely on a single entity to wheel power;
- Production costs that are competitive and reflect reasonable operating and maintenance costs; and
- Manageable environmental or regulatory exposures.

Some public power entities are active in, or planning to provide new services, such as telecommunications services, chilled water, and steam, in addition to their core businesses in order to diversify their revenue streams. Standard & Poor's will evaluate whether or not such additional ventures, which can increase financial risk, will be detrimental to the utility's core business. Important components of such analysis are the relative share of operating expenditures attributable to, and the amount increased leverage associated with such enterprises.

Competitive Position

Competitiveness is important to the retention of native load and the preservation of the revenue stream pledged to debt repayment, for both systems operating in open access environments or in those that are currently protected. Competitive positioning remains important, even for utilities in states that have yet to advance deregulation due to heightened awareness of retail choice among even captive electricity customers.

Overall system average rates, as well as rates on a customer class, are generally at the center of Standard & Poor's review of a utility's relative competitive position. The analysis is extended to include an assessment of the rates that a utility charges specific loads and rates levied on its largest customers relative to potential alternative suppliers. Standard & Poor's explores each utility's rate design, use of contract rates, and rate affordability. Affordability is measured relative to income levels and usage patterns. The commitment of policy makers to provide equitable rates that reflect the costs of providing service without subsidies is crucial in the changing environment. The presence of automatic power or fuel cost adjustments, which limit or avoid the political influence on timely rate adjustments geared to recapturing fluctuating commodity costs, is viewed favorably.

A discussion of rates also includes the issue of a utility's rate-setting process, whether by a third party or through self-regulation.

Strong competitive position characteristics generally include:

- A rate design that equitably apportions costs between and among system customers;
- Unit rates by customer classification that display a competitive advantage;
- Projections of rates that will continue to display a competitive advantage, preserve the revenue stream associated with native load, fund capital expenditures for system maintenance and growth and help attract new load;
- Ability to establish rates free from state regulatory bodies; and
- Flexibility to adjust rates quickly and frequently to match potentially volatile cost structures.

Service Area

An analysis of a utility's service area typically entails a review of its customer base and demographic characteristics.

Standard & Poor's considers each utility's customer base in terms of total number of customers and the number of customers by class. Revenues, kWh sales, margins and load factors are examined for each customer class and for the largest customers. The terms and time frames of any long-term contracts negotiated with industrial and commercial customers are also examined. Load factors and unit costs charged to key industrial customers are particularly important because they demonstrate the attractiveness of these customers to other suppliers or the opportunity for self-generation, and the potential for lost revenues. Large customers' supply options and cogeneration capabilities are important to ascertain potential system exposure. Also usually factored into the analysis of the customer base is an evaluation income levels to determine the relative affordability of rates.

The service areas of rural areas are sparsely populated with few customers per line mile, which reduces the risk that a competing utility will cherry pick its most attractive customers. Yet, these service areas also limit the opportunities for revenue growth, and tend to increase capital investment and service costs per unit of sales.

Historically, Standard & Poor's examined an electric utility's service area economy as a proxy for the stability of the revenue stream pledged to repay the utility's debt. While economic analysis remains a major focus, it can be tempered by the influence of competitive factors.

Favorable market characteristics include:

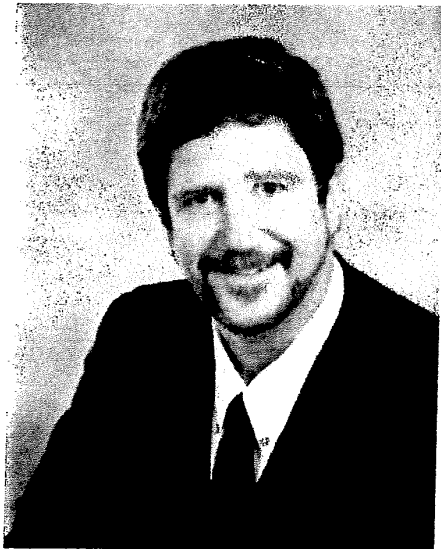
- Load factors for the system and leading customers that do not make the system particularly vulnerable to competitive factors;
- Stable or increasing population trends, in accordance with other forecasts for the utility; and
- High wealth indicators relative to cost-of-living indices and the level of electric rates.

Regulation

Standard & Poor's assessment of regulation encompasses several regulatory factors. These include the impact of federal, state, or local regulators with regard to ratemaking, competition, transmission, and the environment. The impact of the regulatory framework will come into play among several rating factors, particularly operational and financial factors.

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**ELECT
KURT
ANAGNOSTOU
P.U.D.
COMMISSIONER**

By way of a brief background, I am a second generation native of the Longview area. My father grew up in this area and, following the bombing of Pearl Harbor, left Kelso High to join the Navy at 17 ½ years of age. He was trained as an electrician and returned here following the war to work in that trade. He had worked for numerous manufacturers, including Weyerhaeuser, Fibre, Reynolds, and Crown Zellerbach. Prior to me going to high school, he transferred to a Crown Zellerbach in Antioch, California. I went through high school (Antioch High), college (University of the Pacific, Stockton), and law school (McGeorge School of Law, Sacramento) in California and immediately thereafter returned to Longview.

In 1987, I began practicing law here with Joseph Daggy, another local attorney. My wife and I were married in 1990, and we have three sons. In order to teach my children by example to be involved in their community, I became involved in numerous service groups, including Pioneer Lions, St. Rose Knights of Columbus, Longview Moose Lodge, SandBaggers, YMCA Youth Sports Coach, Cowlitz Wahkiakum Bar Association Past President, Assistant Scout Master for the Boy Scouts of America, and various other social and religious organizations. As an extension of that involvement in my community, I ran for Longview City Council and was elected in 2000. I served 12 years, the last four of which as Mayor of the City of Longview.

I bring my education, training, and experience as an attorney as well as my experience as Longview City Councilmember and Mayor to the position of Cowlitz PUD Commissioner. I demand open, transparent governments. I will use my training and experience to critically examine PUD issues. I am not one to simply rubberstamp managers' requests and proposals. In making decisions, I demand

RESPONSE
H J-A

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, March 1, 2012 9:29 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Cc: Dave Andrew; Brent Arnold
Subject: Fwd: Revised draft plus comments
Attachments: 12-015 - Cowlitz PUD Survey - Draft 5.0.doc; ATT00001..htm

X This is basically the final version of the poll. If you find something that you can't live with let Dave or Brent know first thing in morning. The guys we pay to know this stuff think this is pretty much it and there is a method to it

Thanks
Sent from my iPhone

Begin forwarded message:

From: "Kevin Ingham" <kevin@strategies360.com>
To: "Matt Steuerwalt" <MattS@strategies360.com>, "Brian Skeahan" <BSkeahan@cowlitzpud.org>, "Dave Andrew" <Dandrew@cowlitzpud.org>, "Brent Arnold" <barnold@cowlitzpud.org>
Cc: "Jenny Leland" <jenny@strategies360.com>, "Al Aldrich" <ala@strategies360.com>, "Paul Queary" <paulq@strategies360.com>
Subject: RE: Revised draft plus comments

All - We are right on time so we don't need to cut anything. Please review the following questions for wording. A draft survey is included as well if you want to see the lead up to these questions.

40. On a different topic, in 2006, Washington voters voted to approve a proposal which required electric utilities to increase the percentage of new renewable energy, such as wind and solar, that they sell to their customers. Thinking back, do you recall whether you voted in favor or against this proposal?

In favor 1 (GO TO Q41)
Against 2 (GO TO Q42)
Can't remember (DNR) 3 (GO TO Q42)
Didn't vote (DNR) 4 (GO TO Q42)
DK/NA/REFUSED 5 (GO TO Q42)

41. Which of the following comes closest to the primary reason you supported this proposal, even if none are exactly your opinion. (READ AND ROTATE)

I thought it would lower my electric bills 1

I believed it would be good for the environment 2
I believed it would create jobs in Washington 3
None of these (DNR) 4
DK/NA/REFUSED 5

...later in the survey...

55. Do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

56. Compared to similar sized PUDs, do you think the salaries of Cowlitz PUD employees are higher, lower or about the same?

Higher 1
About the same 2
Lower 3
DK/NA/REFUSED 4

57. According to the Longview Daily News, the ten highest paid employees at Cowlitz PUD are paid between \$116,000 and \$177,000 per year. After hearing this, would you say Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

58. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that to attract and retain a skilled workforce that can operate high-tech equipment and keep infrastructure running safely, Cowlitz needs to pay competitive salaries that attract talented workers. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4

DK/NA/REFUSED 5

59. Some say the salaries paid by Cowlitz PUD are too high and are unjustified. Others say that the wages paid to Cowlitz PUD employees are determined by paying wages comparable to those with comparable jobs at similar electric utilities in Washington, Oregon and Idaho. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

60. Some say ratepayers are getting huge electric bills to pay for expensive salaries at Cowlitz PUD. Others say that it is unfair to blame employees for electric bills. Even if Cowlitz PUD went as far as to cut the salaries of every single employee in half, it would only reduce the average customer's bill by less than seven dollars. After hearing a little more, do you believe Cowlitz PUD pays its employees too much or do you think employee salaries are reasonable and justified? (IF TOO MUCH:) Is that way too much or only somewhat?

Way too much 1
Somewhat too much 2
Reasonable 3
Not paid enough (DNR) 4
DK/NA/REFUSED 5

--

Kevin Ingham
Vice President, Polling and Research
Strategies 360
O - 206.282.1990
C - 720.878.5840

RESPONSE 8-8

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Thursday, February 16, 2012 10:41 AM
To: Mark McCrady; Buz Ketcham; Ned Piper
Cc: 'Matt Steuerwalt'
Subject: FW: Community Key Informant Interviews
Attachments: Community Key Informant Interviews.2-16-12.docx

Gents,

→ Thanks for taking the time to identify a dozen or so names for the S360 community leaders interviews. It was an interesting list. One thing I noticed and was surprised about was how little overlap there was between the three of you. Another thing I notice was you did a good job identifying Woodland and Kalama people, but we were a little weak on CR. There were a couple of names I anticipated that would show up that did not. So Dave and I went over the three lists, identified some folk and added a few of our own. We were looking for a good geographic mix, mostly private but some public, different ages and background, etc etc. I propose to send this list of 25 names to Matt. I am sending 25 under the assumption that a certain number of people won't choose or be able to participate.

Matt is anxious to get these names, so please take a look and let me know if you have serious heartburn with any of the names, or anybody who got left out. Upon your OK I will finalize with Matt.

Thanks

From: Sandy Willman
Sent: Thursday, February 16, 2012 10:33 AM
To: Brian Skeahan
Subject: Community Key Informant Interviews

Sandy Willman
Executive Assistant/Clerk of the Board
Cowlitz County PUD
360-577-7575
swillman@cowlitzpud.org

RESPONSE
#18-B

	NAME	INFO	TEL	EMAIL
From Mark McCrady				
1	Carol Rounds	Woodland resident, active in community		
2	Darlene Johnson	Woodland resident, active in community		
3	Kurt Sacha	City of Longview finance director	577.5206	Kurt.sacha@ci.longview.wa.us
4	Clarence Knutson	Castle Rock music teacher		cknutson@crschools.org
5	Melinda McCrady	Sister-in-law		Melinda.mccrady@eg.wa.gov
6	Connie McMaster	City of Kalama administrator		
7	Dick Shumph	Local educator		
9	Pete Poulsen	City of Kalama mayor	673.4183	
10	Ryana Covington	City of Castle Rock administrator	274.8181	
11	John Gotshall	Runs St Vincent de Paul		
12	Ed Smith	Former City of Castle Rock councilman		
From Buz Ketchum				
1	Joel Lengyel	Woodland		
2	Vivian Mosby	Woodland		
3	Carol Rounds	Woodland		
4	Paul Cline	Woodland - Lewis River Yale area		
5	Bill Raybell	Woodland		
6	Jim Teasley	Woodland		
7	Dan O-Hall	Kalama		
8	Chuck Hutchinson	Kalama		
9	Garrett Lutgen	Kalama		
10	Troy Starlha	Kalama		
11	Brad Whitaker	Kalama		
12	Liz Newman	Kalama		
13	Saskia Terhorst	Kalama		
14	Stephanie Vossen	Kalama		
From Ned Piper				
1	Robert Savery	Owner of Rivertown Antique Market (155 Elm St, Kalama, WA 98625). In the interest of		

Cowlitz PUD – Community Key Informant Interviews (draft – Feb 15 2012)

		diversity: Robert is gay and lives in Kalama. He has expressed an interest in serving on a PUD advisory committee. He was formerly a Kaiser Clinical psychologist before leaving to care for his ailing husband.		
2	Beno Dobbe	Owner of Holland American Bulb Farm, 1066 S Prion Rd, Woodland, WA 98674. Dutch immigrant who has grown an amazing business from nothing. He is a business leader in Woodland.		
3	Bill Marcum	New Kelso Longview Chamber of Commerce Director, 1563 Olympia Way, Longview, WA 98632. Bill was advertising manager at TDN for about 10 years before leaving Longview for 15 years. I believe Bill will bring a new vision to the local Chamber.	360.423.8400	
4	Teri Lappe	Manager of the Longview Columbia Bank Branch, 1225 Washington Way, Longview, WA 98632. Teri has been in local banking for around 30 years.		
5	Brian Magnuson or Frank McShane	Cascade Networks, 11 th Ave, Longview, WA 98632. I trust that one or both of these gentlemen will appear on everybody's list. Frank is the current President of the Kelso Longview Chamber Board	360.414.5990	
6	Robert Sudar	Fibre Supervisor, Commercial fisherman with a fish biology background, 734 Fall Creek Rd, Longview, WA 98632	360.423.1780	
7	Sarah Cave	Marketing Director, PeaceHealth, St John Medical Center, 1615 Delaware St., Longview, WA, 98632. Sarah is an involved member of the community.	360.414.2000	
8	Steve Moon	Former candidate for the Longview City		

Cowlitz PUD – Community Key Informant Interviews (draft – Feb 15 2012)

		Council, Security Director at Foster Farms, 1700 S 13 th Ave, Kelso, WA 98626		
9	Mike Jullian	Owner of the Kelso Theater Pub, 214 S Pacific, Kelso, WA 98626. Mike is also a financial advisor.	414.9451 Home tel: [REDACTED]	
10	Eric Shei	Owner of Lewis River Motor Company, 1061 Dale St., Woodland, WA 98674		
11	Janice Forbes	Owner (w/ her husband Scott) of Highlander Cycling Imports, 1313 Commerce Ave., Longview, WA 98632. Janice has become a dynamic voice in the Longview Downtowners and their efforts to revitalize the downtown area.	360.353.3790	
12	Bianca Lemmons	Manager of Cowlitz County Title Company, 1159 14 th Ave, Longview, WA 98632. A proven community leader.	360.423.5330	

RESPONSE
HBC

Brian Skeahan

From: Brian Skeahan Old <bskeahan_bak@cowlitzpud>
Sent: Thursday, March 8, 2012 12:35 PM
To: Mark McCrady; Ned Piper; Buz Ketcham
Cc: Matt Steuerwalt; Dave Andrew; Brent Arnold; Paul Brachvogel
Subject: Fwd: Cowlitz focus groups logistics

These will be recorded again so that is an option to being in an adjacent room and associated public meeting issues.

I think I have NCAA basketball tickets that day / evening so I am probably not there, or at least not at 5. I will check schedule to confirm.

Sent from my iPhone

Begin forwarded message:

From: Matt Steuerwalt <MattSt@strategies360.com>
Date: March 8, 2012 11:58:18 AM PST
To: Brian Skeahan <BSkeahan@cowlitzpud.org>, Dave Andrew <Dandrew@cowlitzpud.org>, Brent Arnold <barnold@cowlitzpud.org>
Subject: Fwd: Cowlitz focus groups logistics

So assuming you all and perhaps the commissioners want to attend the focus groups, here are the logistics. Of course you will want to ensure you dont get too many commissioners in one room at one time. Looking forward to seeing you all there.

Matt

Begin forwarded message:

From: Jenny Leland <jenny1@strategies360.com>
Date: March 8, 2012 11:05:32 AM PST
To: Matt Steuerwalt <MattSt@strategies360.com>, Kevin Ingham <kevin@strategies360.com>
Subject: RE: Cowlitz focus groups logistics

The discussions are planned to take place at the Cowlitz Regional Conference Center (1900 7th Avenue Longview, WA 98632, tel: 360-577-3122, website: <http://www.thecenteronthenorthwest.com>). We have 2 rooms reserved - 1 for discussion group, 1 for closed circuit TV observers. We're contracting with an AV guy to bring a camera for live feed, mics etc for AV recording. I've asked the Cowlitz guys whether they have a TV monitor available to use, Brent is searching ... if not, we'll rent one from the facility itself.

Scheduled for Thurs March 15, 5 and 8pm

RESPONSE
#B-C

Brian Skeahan

From: Brian Skeahan <bskeahan_bak@cowlitzpud.org>
Sent: Friday, March 16, 2012 2:58 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Subject: FW: 2008 Focus Group DVD
Attachments: 2008 Cowlitz PUD Group 1.doc; 2008 Cowlitz PUD Group 2.doc

→ One of you were looking for the DVD from last focus group. We have not had any luck putting our hands on the DVDs themselves, but do have the attached transcripts.

From: Brent Arnold
Sent: Friday, March 16, 2012 8:25 AM
To: Dave Andrew
Cc: Brian Skeahan; Sandy Willman
Subject: 2008 Focus Group DVD

Dave,

I spoke with Patricia Glazer with Gilmore Research Group about securing a copy of the 2008 survey focus group discussions. Patricia was unable to find the DVDs, but did provide the transcripts. Attached please find a copy of those transcripts which are also available on the shared/Marketing drive under Surveys/2008 Survey.

Thanks,

Brent A. Arnold
Marketing Coordinator
360.501.8146
barold@cowlitzpud.org



RESPONSE

8-D

PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON

MINUTES OF MEETING OF COMMISSIONERS

March 13, 2012

John Searing Auditorium

Present:**Commissioners:**

Mark McCrady, President
 Merritt "Buz" Ketcham, Vice President

Edward 'Ned' Piper, Secretary

Staff:

Brian Skeahan, General Manager
 Don McMaster, Chief Operating Officer
 Royce Hagelstein, Auditor
 Diana MacDonald, Mgr. Environmental &
 Regulatory Services
 Chris Hill, Mgr. of Gov. Affairs & Energy Policy
 Chris Marlowe, Operations Superintendent
 Robbie Berg, Human Resources Manager

Sandra Willman Executive Assistant
 Paul Brachvogel, General Counsel
 Gary Huhta, Dir. of Power Management
 Dave Andrew, Dir. of Customer Service
 Doug Wood, Dir. of IS
 Brent Arnold, Marketing Director
 Jeff Sorensen, Operations Superintendent

Media:

Betty J. Wilson, KLTW

Public:

Chris Turner

Call to Order – Pursuant to published Notice, the Regular meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington was called to order at 2:00 p.m. by Commissioner McCrady.

Approval of the Minutes – The minutes of the regular Board meeting of February 28, 2012 were approved as published.

Approval of Vouchers of \$9,688,168.94 – The Commission reviewed vouchers audited and certified by Auditor Royce Hagelstein as required by RCW 42.24.080 and RCW 42.24.090 for which warrants were issued on March 13, 2012, under provisions of Resolution No. 1421. Motion was made by Commissioner Ketcham to approve the vouchers and seconded by Commissioner Piper. Motion carried. Warrants drawn to cover said vouchers are as follows:

<u>Fund</u>	<u>Warrant Nos.</u>	<u>Amount</u>
Accounts Payables	11293 – 11657	\$9,359,003.97
Payroll	3/02/2012	329,164.97

Introduction of New Employees – PC Support Technicians Jaime Cotter and Dale Scrimshire were introduced to the Commissioners.

Comments from the General Public for Non-Agenda Items – Customer Chris Turner, representing residents of the Laulainen Road area in Longview, commented that since there was no comprehensive plan or ordinances regarding towers placements in the County, they were asking that the District take consideration of the neighborhoods when leasing space out on District's properties for that purpose. Their main request was try to be a good neighbor. The Commissioners and staff understood their concerns. This will be discussed at next week's staff meeting.

Presentations and Reports from Staff / Directors
(Informational, Non-Action)

Brian Skeahan, General Manager – Reported Strategies 360, a consulting firm specializing in public policy, had begun conducting a Cowlitz PUD customer survey. March 6 they started making 600 random calls to Cowlitz County residents. Then between March 13 and March 16 Strategies 360 will be interviewing approximately 25 Cowlitz County opinion leaders. In addition two focus groups will be conducted on Thursday, March 15. The results will take about a month.

Provided an update on the purchase and sales agreement of the 115 kV line between BPA's Longview Substation and the District's Washington Way Substation. The Commissioners had approved the purchase and sales agreement at the February 14, 2012 Commissioner meeting.

Chris Hill, Manager of Government Affairs & Energy Policy – Provided a legislative update of the bills that the District has been following.

Don McMaster, Chief Operating Officer – Provided a business update on the on-going job coverage of people due to the development and testing of the District's new Customer Services Information system, replacement of retirees and part-time employees.

He also reported employee Paul Wade has been improving every day from his accident. He visited the Operations Center yesterday.

Dave Andrew, Director of Customer Services – Presented the February Customer Services Board report. The pro-rate credits, as a result of the November 1, 2011 rate increase, will be all issued to 45,858 active electric customers accounts this week.

Ray Johnson, Director of Engineering – Presented the February Engineering and Operations Board reports.

Doug Wood, Director of Information Services – Presented the February Project FOCUS update. The new Customer Services Information System is scheduled to go live November 13, 2012.

Break: 3:50 p.m.

Reconvened: 4:00 p.m.

Agenda Action Items

Staff Recommendation No. 11/03/13 – Approve 2012-2015 Contract Roll-Over for IBEW Local 77

Human Resources Manager Robbie Berg informed the Commissioners a tentative Collective Bargaining Agreement between the District and IBEW Local No. 77 was approved by the IBEW membership on March 8, 2012. The following were the changes and wage adjustments to the existing Collective Bargaining Agreement:

- * A three-year agreement for January 1, 2012 – March 31, 2015.
- * Effective January 1, 2012 general wage increase of 1% plus three additional days of Paid Time Off for each member covered by the agreement.
- * Effective April 1, 2013 General Wage Increase of 1.75%.
- * Effective April 1, 2014 General Wage Increase of 2%.
- * Negotiated reorganization and reclassification changes in the Customer Services Department.

RESPONSE
78-E

STAFF MEETING NOTES
November 6, 2012

Present:

Brian Skeahan, General Manager
Don McMaster, COO
Gary Huhta, Director of Power Management
Royce Hagelstein, Auditor
Chris Marlowe, Interim Dir. of Operations
Robbie Berg, Human Resources Manager
Brent Arnold, Communications Coordinator
Diana MacDonald, Mgr. Environmental &
Regulatory Services

Sandy Willman, Executive Assistant
Rick Syring, Dir. of Technology Initiatives
Dave Andrew, Dir. of Customer Services
Ray Johnson, Director of Engineering
Heather Allen, Risk Manager
Trent Martin, Dir. of Accounting & Finance
Doug Wood, Dir. of Information Services
Paul Brachvogel, General Counsel

Community Meetings Schedule

* November 13 @ 10 a.m.: Ryderwood @ Community Building
December 4 @ 7:00 p.m.: Woodland @ Woodland Intermediate School library

November 13, 2012 Board Meeting Agenda Items

Directors/Staff/Consultant Reports:

- Don McMaster
- Doug Wood
- Ray Johnson & Chris Marlowe
- Brent Arnold – Communications update

Action Items:

- Amended Wholesale Energy Risk Management Policy No. PM-2 – Heather
- Resolution to forgive \$12M Swift Loan – Trent
- Resolution for 401k amendment – Robbie
- Adoption of 2013-2015 Capital Requirements Plan – Ray
- Acceptance of work Underground Distribution System, Small Projects – Chris

Future Board Meetings Action Items/Reports/Workshops:

- Adoption of 2013 Budget – Trent (Nov. 27)
- Adoption of Revised Compensation Policy – Robbie (Nov. 27)
- Adoption of Opt-out Policy – Rick (Nov. 27)
- WPUA membership (Dec. 11)
- Motion to cancel Dec. 25 Board meeting (Dec. 11)
- Board workshops: (1) new large single load; (2) Conservation Loan Policy (before Christmas)
- PUD policy for new large single load – Gary (by end of the year)
- Election of new Board officers (Jan. 8)
- Conservation Loan Policy – Eugene (?)
- Franchise Agreements with Cities – Paul (?)
- Tower Sighting on District's Property Policy – Don (?)
- Executive Session - [REDACTED] – Diana (2013)
- Executive Session - [REDACTED] (?)
- Quarterly Reports from other staff employees
 - * Chris Hill – Energy Imbalance Market update (?)



Community Meeting Schedule & Agendas

→ Commissioner:	Buz Ketcham
Energy Efficiency:	Michelle Ehrlich, Eugene Rosolie
Engineering:	Casey Kalal
Operations:	Steve Brock
Customer Services:	Dave Andrew, Sharyl Whitmire and/or Katrina Perkins
Smart Grid:	Rick Syring
Environment:	Diana MacDonald
Accounting/Finance:	Trent Martin

Longview/Kelso

Location: Cowlitz PUD Auditorium, 961 12th Avenue, Longview, WA 98632

Topic #1 (Engineering): Washington Way and 7th Ave. Substations
Transmission System Improvements and Capital Plan (BPA Longview substation and Washington Way substation; 7th Ave. substation and Columbia Way substation; also working on Baker's Corner substation.

- We have been in the process of upgrading several of our Substations in the area which have had 50-60 year old equipment.
 - Mint Farm Substation
 - Olive Way Substation
 - Washington Way Substation
 - 7th Avenue Substation
 - Columbia Way Substation
 - (Currently) Bakers Corner Substation
- We have been upgrading our Transmission in the area.
 - Mt Solo Sub to WA Way Sub
 - WA Way Sub to 7th Ave Sub
 - 7th Ave Sub to BPA Cowlitz
- We have installed an Express Feeder from 7th Ave Sub to Columbia Way Sub

Topic #2 (Cust. Svcs.):	SDR/DDR & Budget Pay
Topic #3:	Smart meter benefits – a look forward
Topic #4 (EES):	Energy Efficiency
PUD personnel:	
Administration:	Brian Skeahan, Brent Arnold, Don McMaster (if necessary)
→ Commissioner:	Mark McCrady
Energy Efficiency:	Michelle Ehrlich, Eugene Rosolie
Engineering:	Tim Johnston
Operations:	Dave Whitman
Customer Services:	Dave Andrew, Sharyl Whitmire and/or Katrina Perkins
Smart Grid:	Rick Syring
Accounting/Finance:	Royce Hagelstein
Content:	SDR, DDR, Budget Pay (CS),

Kalama



Community Meeting Schedule & Agendas

Location: Kalama Community Building, 216 Elm Street, Kalama, WA 98625
Contact: 673-4565
Topic #1 (Engineering): Transmission system improvements, additional transmission connection
Upgrading South County 115KV Transmission loop to a smart loop
Completed upgrade of Kalama Industrial Substation Transmission Feed for the Smart Loop
Topic #2 (Cust. Svcs.): SDR/DDR & Budget Pay
CSS? (Customer Self Service)
Topic #3: Smart meter benefits – a look forward
Topic #4 (EES): Energy Efficiency
PUD personnel:
Administration: Brian Skeahan, Brent Arnold, Don McMaster (if necessary)
Commissioner:
Energy Efficiency: Michelle Ehrlich, Eugene Rosolie
Engineering: Ray Johnson
Operations: Dave Whitman
Customer Services: Dave Andrew, Sharyl Whitmire and/or Katrina Perkins
Smart Grid: Rick Syring
Accounting/Finance: Trent Martin

Ryderwood

Location: Ryderwood Community Building 301 Morse, Ryderwood, WA
Contact: Ryderwood Improvement & Service Association Office (RISA) 360-295-3651
Topic #1 (Engineering): Improvements to area infrastructure (topic to be determined)
Topic #2 (Cust. Svcs.): SDR/DDR & Budget Pay
CSS? (Customer Self Service)
Topic #3: Smart meter benefits – a look forward
Topic #4 (EES): Energy Efficiency
PUD personnel:
Administration: Brian Skeahan, Brent Arnold, Don McMaster (if necessary)
Commissioner: Dave Andrew, Sharyl Whitmire and/or Katrina Perkins
Energy Efficiency: Michelle Ehrlich, Eugene Rosolie
Engineering: Tim Johnston
Operations: Chris Marlowe
Customer Services: Dave Andrew, Sharyl Whitmire and/or Katrina Perkins
Smart Grid: Rick Syring
Accounting/Finance: Royce Hagelstein

Woodland

Location: Woodland Intermediate School (library), 2250 Lewis River Road, Woodland, WA 98674
Contact: 360.841.2750



Community Meeting Schedule & Agendas

Topic #1:	Transmission system improvements, additional transmission source
Topic #2:	SDR/DDR & Budget Pay CSS? (Customer Self Service)
Topic #3:	Smart meter benefits – a look forward
Topic #4:	Energy Efficiency
PUD personnel:	
Administration:	Brian Skeahan, Brent Arnold
→ Commissioner:	Buz Ketchum
Energy Efficiency:	Michelle Ehrlich, Eugene Rosolie
Engineering:	Rick Syring
Operations:	Chris Marlowe
Customer Services:	Dave Andrew
Smart Grid:	Rick Syring
Environment:	Diana MacDonald
Accounting/Finance:	Trent Martin

RESPONSE # 8F

From: Brent Arnold <barnold@cowlitzpud.org>
To: 'Mark McCrady' <mamccrady2005@yahoo.com>
Sent: Tuesday, October 30, 2012 3:36 PM
Subject: RE: Please review

Mark,

I went to the Daily News to drop off the contracts to Erik. I told the receptionist my name (which she hacked up when telling Erik who was waiting for him). When he came out he said, "Oh, hi Brent, I didn't realize that it was you who was waiting for me". He seemed sincere.

When I handed Erik the contracts and additional information, I said, here is the document that shows when the relationship with S360 started in January of 2009. I also said here are the all the contracts and, this paper shows the discussion we had during a BOC meeting in February about expanding S360's role. Sandy has marked the page that pertains to our discussion. I then waited for Erik to say something. He waived the contracts and said, I don't know what will become of this, but it is good to have them.

→ My feeling, based upon his tone and body language is that he didn't think there was a story (because there isn't). That said, you never know what Andre will require him to do.

Thanks,

Brent

Brent A. Arnold
Marketing Coordinator
360.501.8146
barnold@cowlitzpud.org



RESPONSE # 8-6

Brian Skeahan

From: Brent Arnold <barnold@cowlitzpud.org>
Sent: Monday, June 17, 2013 11:44 AM
To: Gary Huhta
Subject: RE: PDC Claims
Attachments: PDC claim - Brent Arnold.docx

Gary,

Please let me know if this is any better for you. I'm sorry that I am not able to come up with any more detail than what I have. ←

Thanks,



Brent A. Arnold
Communications Coordinator
360.501.8146
barnold@cowlitzpud.org



From: Gary Huhta
Sent: Friday, June 14, 2013 10:06 AM ←
To: Brent Arnold; Heather Allen; Royce Hagelstein; Trent Martin
Cc: Donald McMaster
Subject: RE: PDC Claims

As I discussed with some of you yesterday, would you each please review the statement you prepared and look to further developing your written explanation? The responses were brief and to the point, which is typically good. However, in this case I think we need to provide a little more context to each circumstance, so an outside reader will better understand the claim.

✱ Enclosed is the original 1/18/13 claim filed by Buz, as well as, a new item that Buz intends to file...you can use these as examples for the type of information to be included in your statements.

If you can do this as soon as possible, I would appreciate it, Buz is expecting the materials soon.
Thanks, Gary.

From: Gary Huhta
Sent: Wednesday, June 05, 2013 1:20 PM ←
To: Brent Arnold; Heather Allen; Royce Hagelstein; Trent Martin
Cc: Donald McMaster
Subject: PDC Claims

Brent, Heather, Royce, and Trent:

As discussed previously, you each identified circumstances, primarily in 2012, where Brian Skeahan directed you to prepare materials or gather data for Mark McCrady's campaign. Or you were aware of activity Brian and/or Mark were involved in with District consultants where such activity was intended to benefit Mark McCrady's campaign. Each of you indicated that you would be willing to testify in this regard.

Paul Brachvogel is conflicted on this issue, so he will not be able to assist in preparing statements for the PDC filing. The PDC complaint process is actually designed for every day citizens so the advice of an attorney is not required.

So, would each of you draft your statement of the circumstances and gather any supporting evidence? Please forward to Don and I by COB June 10, 2013.

Thanks, Gary.

RESPONSE # 24

Brian Skeahan

From: Brent Arnold <barnold@cowlitzpud.org>
Sent: Friday, June 28, 2013 11:34 AM
To: 'Buz Ketcham'
Cc: Gary Huhta; Donald McMaster
Subject: RE: Strategies 360 Survey

* I have no idea of when/if the survey was carried out. Since I started on October 10 of 2011, I have not heard anything about a political survey.

Brent

Brent A. Arnold

Communications Coordinator
360.501.8146
barnold@cowlitzpud.org



From: Buz Ketcham [mailto:buzk@bki.cc]
Sent: Friday, June 28, 2013 11:32 AM
To: Brent Arnold
Cc: Gary Huhta; Donald McMaster
Subject: RE: Strategies 360 Survey

Curious then which survey was actually carried out?

From: Brent Arnold [mailto:barnold@cowlitzpud.org]
Sent: Friday, June 28, 2013 11:24 AM
To: Buz Ketcham
Cc: Gary Huhta; Donald McMaster
Subject: RE: Strategies 360 Survey

Buz,

Actually, I have never read through all the versions (there are four) of the survey. I had no idea that the first one was a voter's survey until I received your email. Needless to say, I was shocked! The date stamp on that survey is 8/24/2011 12:09 PM. The next version has a date stamp of 2/24/2012 7:46 AM, so I'm not sure they are related. The third and fourth versions (Draft 3.0 and Draft 4.0) have date stamps of 2/28/2012 4:59 PM and 3/1/2012 2:48 PM respectively. I think you (we) may have stumbled upon something.

My intent in sending two different versions of the survey was to show how the first version and the last version differed. I didn't pay close enough attention to what I was attaching.

I am attaching the other two versions of the survey just in case you wanted to see them.

Please let me know if you have any further questions.

Thanks,



Brent A. Arnold

Communications Coordinator

360.501.8146

bumold@cowiitcpud.org



From: Buz Ketcham [<mailto:buzk@bki.cc>]

Sent: Friday, June 28, 2013 11:10 AM

To: Brent Arnold

Subject: Strategies 360 Survey

Hi Brent

In the materials you provided Gary Huhta and I, there are two Strategies 360 surveys included. One for customers and one for registered voters. Can you expand for me the genesis of each? I might have expected a customer survey in Spring of 2012 but why did Brian initiate the survey to registered voters and when did it happen?

Thanks for your service

Merritt (Buz) Ketcham, PE | VP & Principal Engineer



Brown & Kysar, Inc.

360.687.3966 800.330.1100 ext. 101

www.bki.cc

SERVICES AGREEMENT

This services agreement is entered into by and between Strategies 360, Inc. ("Consultant") with its principal offices at 1505 Westlake Ave N, Suite 1000, Seattle, Washington, 98109, and Cowlitz Public Utility District No. 1 ("Client"), with its principal offices at 961 12th Avenue, PO Box 3007, Longview, WA 98632, hereinafter sometimes referred to collectively as the "Parties".

RECITALS

- A. Client wishes to contract with Consultant to provide services in the field of **research-based communications**, on the terms and conditions set forth herein.
- B. Consultant is willing and qualified to perform such services.

In consideration of the above Recitals and the mutual promises and agreements contained herein, the Parties agree as follows:

1. Scope of Services. Consultant is retained and appointed to implement **research-based communications planning services** designed to accomplish the objectives of the Client. Consultant shall use Consultant's best efforts to perform the Services such that the results are satisfactory to Client. Research will include quantitative research as well as focus groups and one to one interviews, and will all be performed after being designed in collaboration and consultation with the Client. Based on the research, Consultant will develop and design a strategic two-way communications plan for 2012 that will recommend the most effective messengers, messages and communication channels for the Client.
2. Contract Administration: Communications. Consultant's employees will be responsible for performing services under this Agreement. Client and Consultant shall identify and maintain a mutually agreeable communication process to keep Client fully and currently informed about activities of Consultant on behalf of Client. Consultant will work closely with other consultants, team members, and related organizations and individuals as designated by Client, and as necessary to accomplish the objectives of the Client.
3. Compensation. Consultant will begin to perform the services February 1, 2012 and will work until the research and communications plan are complete, on a schedule agreed to with the Client. Consultant will bill the Client no more than \$26,000 for the quantitative research; \$25,000 for two focus groups and up to 20 opinion leader interviews, and \$10,000 for the communications plan.

Consultant's fees for service do not include additional costs deemed necessary by Client associated with creating and printing materials, and providing other strategic and/or support services as requested by the Client.

render Client a bill and within 30 days after receipt of said bill, Client shall pay Consultant in full whatever sums may be due for work performed.

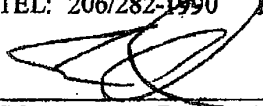
11. Non-Solicitation of Consultant Employees. During the Term of this Agreement and for a period of one (1) year after the termination of this Agreement, Client will not solicit, induce, recruit or encourage directly or indirectly (nor will Client direct, encourage or assist anyone else to solicit, induce, recruit or encourage) any of the Consultant's employees to terminate their employment with Consultant or to work elsewhere.
12. Indemnification and Insurance. Client shall indemnify, defend, and hold harmless Consultant and its directors, officers, and employees from any and all claims arising from or in connection with the performance of services including but not limited to statutory violations, Contractor's independent contractor status, or for injury or death of any and all persons whatsoever and from any and all damage to property. Client and Consultant warrant that they each carry workers' compensation, comprehensive liability, automobile, and other insurance with reasonable coverage and in reasonable amounts sufficient to insure against anticipated risks in connection with services under this Agreement.

By executing this Agreement each signatory affirms that they have read and understand its terms, and that each has the full power and authority to enter this Agreement on behalf of the entity for which they have signed.

Executed in the County of King, Washington:

For: **STRATEGIES 360, INC.**
1505 Westlake Ave N, suite 1000
Seattle, Washington 98109
TEL: 206/282-1990 FAX: 206/282-2704

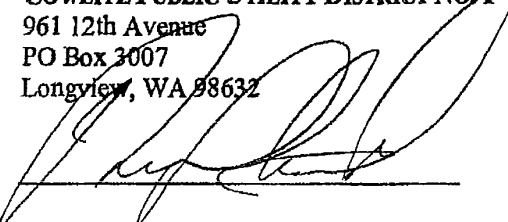
By:


Eric Sorenson, President

Date: January 25, 2012

For: **COWLITZ PUBLIC UTILITY DISTRICT NO. 1**
961 12th Avenue
PO Box 3007
Longview, WA 98632

By:



Date:

2/1/12

102570134
#18-1

Brian Skeahan

From: Al Aldrich <ala@strategies360.com>
Sent: Wednesday, July 10, 2013 3:22 PM
To: Donald McMaster; Paul Brachvogel; Dave Andrew
Cc: Matt Steuerwalt; Eric Sorenson
Subject: End of our contract

Don, Paul and Dave,

I'm sending this to the three of you since the general direction I was given this Spring was to send information to all three of you. I read in The Daily News today that additional charges have been filed against former GM Skeahan and also that the Commission ended the contract between the PUD and our firm. I was surprised by that based on the series of positive emails about our work you have sent our firm in the past few months, plus our solid relationship the past several years. Frankly, I'm disappointed that I learned of it by reading the newspaper on line rather than directly from one of you at the PUD. Matt did share with me the contract termination letter that you sent him some 90 minutes ago.

Regarding the reported concerns expressed about the question in the survey about the PUD Commissioners and the reported allegation by one Commissioner that the survey was a "political tool" and not available to the challenger, I want to make the facts known to you three. We would provide this information to anyone who asked about it, but unfortunately no one did ask us about it prior to yesterday's Commission meeting.

* The survey was intended and designed to gather factual information about how local residents (PUD customers) felt about a number of issues related to the PUD and their rates and bills from the PUD. The purpose of the survey was to give our firm enough information to prepare a strategic communications plan designed to improve communications with the PUD's customer-owners. The survey produced results that have a margin of error of +/- 4% at the 95% confidence level. The survey was designed and conducted by our firm, after meeting with several people in the PUD management group and meeting with all three of the Commissioners individually to gain their perspectives. The questions we drafted were approved by the PUD, including a review by Commissioners. I would also note that Nate Silver of the New York Times (one of the top experts in research and polling) rated our firm 5th most accurate in the nation last year out of 90 top polling firms...so we know what we are doing. In addition to the 600-person survey, we conducted in-depth personal interviews with a number of community and business leaders to gather their views on the issues we were looking at and a series of focus groups with customer-owners.

The question regarding the Commissioners follows. "...if you have a very favorable, somewhat favorable, somewhat unfavorable, or very favorable opinion of that person or organization. If you don't recognize the name or if you recognize the name but don't have an opinion, please just say so and we will move to the next name. Here is the first one..."

The answers from the 600-person survey were

Name	Favorable Opinion	Unfavorable Opinion	Don't Recognize/No Opinion
Ned Piper	18%	13%	46%
Mark McCrady	17%	9%	51%

Buz Ketcham 10%

6%

58%

Based on our experience, for locally elected officials these are moderately positive ratings for favorable/unfavorable with a high percentage of Don't Recognize/No Opinion respondents.

Why did we ask the question? Basically for two reasons.

- 
1. This question or a similar question is very commonly asked in polls of various types.
 2. We wanted to gauge the potential benefits of recommending using the Commissioners in an active way with the public in the new strategic communications plan that we would be developing.

The answers to us indicated that it didn't make sense to use the Commissioners in a highly public role with the new campaign, since they had relatively low local recognition and only moderately positive favorable/unfavorable ratings. Also, the differences in the individual ratings were not very significant, in our view.



As to the value of this information, we can't imagine why it would be useful in a political campaign. As to whether it was available to the challenger in the race, we don't know. Once we turn our results and recommendations over to the client (Cowlitz PUD in this case), they can do what they want with them. In the case of a public sector client, the information (poll results, recommendations, etc.) is almost always a public document once they are delivered to the client. By the way, we assume that you all have the documents or access to them, but if you want copies from us, we can certainly send you the documents.

In terms of the value of our work, we understand that most recommendations have been implemented and that customer relations are improved.

In closing, we have generally enjoyed working with Cowlitz PUD and would certainly consider working with you again if given the opportunity.

Thanks,

Al Aldrich

Senior Vice President

Strategies 360

RESPONSE #8-J

Peggy & Brian Skeahan

From: Brian Skeahan
Sent: Sunday, December 11, 2011 3:22 PM
To: Mark McCrady; Buz Ketcham; Ned Piper
Cc: Dave Andrew; Brent Arnold; 'Matt Steuerwalt'; 'Al Aldrich'
Subject: Re- set button on communication

I had a lunch meeting with Brent the new guy on Friday to chat with him about my concerns / desires for moving forward with our communication efforts and to hear what a new set of eyes think they see.

I expressed to him the Board's frustration with the current state of affairs. I asked him to put together a 2012 plan outlining what we are going to say, how we are going to say it, and where is it going to be said. I told him I wanted a plan that might resemble one for a campaign for a candidate or a ballot initiative.

In preparing that plan I asked him to schedule some time with each of you to gain your perspectives. I also want to use the upcoming polling we have planned to guide this as well. That means the poll itself will need to be different. This will give us the opportunity to gain Strategy 360's expertise as well in preparing the poll with a new set of issues / perspectives in mind.

I told him nothing is off the table as far as message or medium. We talked as you might expect about our frustration with (as Ned affectionately calls them) The Daily Noose, but the perspective that if we are getting beat up in that medium the possible need to be in that medium, but if so how. I put on the table the option of direct mail newsletters to supplement our newsletter going out with the bill, targeted at frequent voters as an example of a new approach.

We talked about how we might be perceived differentially by different age, economic, demographic and geographic groups, how we can better determine that, and what the consequence of that knowledge might be.

We are all pretty frustrated and at times angry right now. The risk if having that be useless emotion, or worse still, turning it on each other. The challenge is to turn that emotion and energy into a plan that allows us to better get out the messages that we want:

- We are a progressive, innovative utility
- We are well governed and managed
- We are financially responsible
- While rates are important, and we have no reason to be embarrassed about ours, rates aren't the only thing
- We are investing in things that have value to our customers, things that improve service, reliability and create customer choice
- We are environmentally responsible, properly balancing environmental and economic concerns and issues
- We are a large PNW public utility and a leader in PNW energy issues

I was interested but not surprised by Brent's observations. As an information receptive person coming from the outside, and one who did do his research, I think he recognizes the things we are doing, and believes that, particularly among some groups more than others these things will be valued and appreciated. That said he obviously recognizes we are getting pretty beat up right now in some quarters.

Brent is in Ghana for a couple of weeks getting his new baby, but will get on this upon his return. I think we can

be successful, but it will take a team effort, the Board, myself, Brent, Dave's continued participation and insight, and the informed advise of our Strat 360 friends and the information that comes from the polling work. The end result should be a plan with clear tasks and timelines we all buy off on .

Thanks

Brian Skeahan
General Manager
Cowlitz PUD

RESPONSE
H CONC.

Stacie Pederson

From: Dave Andrew <Dandrew@cowlitzpud.org>
Sent: Monday, January 14, 2013 4:04 PM
To: Buz Ketcham; 'Ned Piper'; 'kanagnostou@cowlitzpud.org'
Subject: Executive session
Attachments: PUD newsletter Nov 2, 1972.pdf

Gentleman:

As a long time PUD employee who has worked for 4 different GMs...and who has had years of experience with other utility GMs in the region, I am greatly concerned with what I perceive to be the focus of your meeting tonight.

I greatly respect the work Brian has done here in his tenure. Perfect...no. But neither were his predecessors. That chair is a tough place to sit...always has been, always will be. I encourage you to read the attachment of an employee newsletter from 1972. Check out the board report. Something's never change.

We have a lot going on in this utility right now...Cayenta, infrastructure improvements, complicated regional power issues, etc. I do not believe for one second that we could find anyone even close to Brian to lead us through this right now. To dismiss him...or to take action or send a message to him that might drive him away would be an incredible mistake on the Board's part. Someday you would look back and regret it.

Please...slow down and talk through this. There is not a better person in the region than Brian Skeahan to manage our utility.

Thank you,

Dave Andrew