

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

President Farmer called a regular meeting of the Mason County PUD No. 3 board of commissioners to order at 10:00 a.m. The meeting was held in the PUD 3 auditorium, at 2621 E Johns Prairie Road in Shelton, Washington, on Tuesday, June 11, 2013.

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

The following PUD 3 personnel were present: Director of Business Services John Bennett; Public Information & Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; Accountant Jennifer Renecker; Power Supply Manager Matt Samuelson; Risk Manager Bob Smith; Director of Business Operations Michelle Wicks; and Administrative Services Manager Nancy Bolender (recorded minutes).

Members of the public in attendance were: Mark Reddemann, CEO of Energy Northwest (ENW); Larry Willey, Vice President of Energy/Business Services of ENW; Laura Scheele, Public Affairs Specialist of ENW; Commissioners Karl Denison, Ron Gold and Jack Janda of Mason County PUD No. 1; Steve Taylor, Manager of Mason County PUD No. 1; and John Bolender, District Manager of Mason Conservation District (arrived at 10:38 a.m.).

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented.

CONSENT AGENDA

Mr. Farmer reviewed the items listed on the consent agenda. Mr. Jorgenson moved, motion seconded by Ms. Gott, to adopt the consent agenda. MOTION PASSED UNANIMOUSLY. By adopting the consent agenda, the following items were approved:

A. Minutes of the May 28, 2013, regular commission meeting.

B. * Voucher numbers: (dated June 4, 2013)	122448 through 122503	\$ 364,704.95
(Includes electronic funds transfer payment Nos. 935-942.)		
Voucher numbers: (dated June 11, 2013)	122504 through 122637	<u>726,294.90</u>
(Includes electronic funds transfer payment Nos. 943-951.)		
	TOTAL	\$ 1,090,999.85

C. Void accounts payable checks for the week ending June 7, 2013, in the total amount of \$417.60.

\* Vouchers audited and certified by the district auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the board.

COMMENTS FROM THE PUBLIC

Mr. Farmer welcomed those present and stated comments would be accepted throughout the meeting.

Mr. Reddemann, chief executive officer for Energy Northwest, (ENW) presented PUD 3 and PUD 1 commissioners with an update on activities. Through its relationship with Energy Northwest, Mason County PUD 3 customers receive energy from the Nine Canyon Wind project near Kennewick and the Packwood hydroelectric project in east Lewis County. PUD 3 also receives electricity through the Bonneville Power Administration (BPA) from Energy Northwest's Columbia Generating Station (CGS), a nuclear power plant near Richland in south-central Washington.

Mr. Reddemann noted since a 2011 refueling and maintenance outage, the 1,200 megawatt CGS had realized 20 megawatts of additional output due to efficiency upgrades. He said that in 2012 the power plant generated a record 9.3 million megawatts of electricity for customers in the Pacific Northwest. He also reported that the power plant has a high level of reliability and safety and highlighted a comprehensive program implemented in 2011 to improve the safety and reliability at the plant.

Mr. Reddemann explained that the value of the power plant to the region is evident in the costs estimated to replace its output. To purchase an equivalent amount of electricity on the open market would cost an extra \$1.5 billion to regional ratepayers, while construction of new natural gas power plants that would have the same energy output would cost an estimated \$2.5 billion.

In 2012 the Columbia Generating Station received a new 20-year operating license, allowing it to operate until 2043.

Mason County is well-represented in the leadership of Energy Northwest: Ms. Gott is president of the board of directors; Mr. Janda, PUD 1 commissioner, serves as assistant chairman on the executive board and is a member of the board of directors; Tim Sheldon, Washington State Senator and Mason County commissioner, serves on the executive board; and Mr. Denison, PUD 1 commissioner, is chair of the Participant's Review Committee.

#### ACTION ITEMS

A recommendation was made to adopt Resolution No. 1598, which is "A Resolution Appointing Trustees to Public Utility District No. 3 of Mason County OPEB Trust."

Mrs. Creekpau explained that due to Mrs. Wood's retirement from PUD 3 and personnel changes, the resolution restates existing trustees (except Mrs. Wood) with their new titles at the PUD, and appoints PUD 3 Treasurer Brian Taylor as a trustee.

Ms. Gott moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1598, "A Resolution Appointing Trustees to Public Utility District No. 3 of Mason County OPEB Trust." MOTION PASSED UNANIMOUSLY.

#### STAFF REPORTS

Mrs. Speaks reviewed the status of the budget as of May 31, 2013. With 42 percent of the year passed, both receipts and total expenditures are at 45 percent of budgeted amounts for the year.

Mr. Taylor then discussed the May 2013 treasurer's report with the commissioners. He noted the total of all funds at the end of May was \$36,402,488.42.

In response to a question asked at the previous commission meeting, Mr. Samuelson explained that the incremental cost for purchasing qualifying renewable energy resources to meet requirements of the Washington State Energy Independence Act (I-937) is approximately two percent of the PUD's annual budget. He said that represents about 4.25 percent of power purchases. This is to meet the three percent renewable energy obligation.

Mr. Samuelson noted that by 2016, when the requirements increase to nine percent, it is expected that 3.7 percent of the PUD's annual budget will go toward acquiring renewable energy resources to meet the state law. He estimates that would represent approximately seven percent of cost of the PUD's power purchases.

Mr. Samuelson reported that PUD 3 has signed on to comments to the federal government regarding a proposed year's delay in the implementation of a final rule in December revising the definition of the bulk electric system. The PUD and other Pacific Northwest utilities are opposed to such a delay.

Even though PUD 3 is by definition a distribution utility under the Energy Policy Act of 2005, it was required to register and meet the same reliability standards of bulk electric system operators, which has created a financial and regulatory burden on the PUD. The PUD has long questioned as to whether it and up to 102 distribution utilities in the Western Electricity Coordinating Council region (20 in Washington State) were incorrectly included in the requirement.

The PUD is preparing its application for exemption from the registration and reliability standards and any delay in implementing the new definitions under the proposed federal rules could jeopardize the application process.

Mrs. Creekpau reported that the PUD received one submittal for its request for proposals for a commercial real estate broker to market the former downtown administrative complex. An evaluation will be done on the submittal with a follow-up discussion and presentation by the broker. A recommendation will be forthcoming to the commission.

She also informed the commissioners that a recent arbitration decision regarding headquarters and outage staffing responses concurred with the PUD's current practice; hence, a positive ruling for PUD 3.

Mrs. Creekpau mentioned that NoaNet is considering another method of payment for its network communication services (NCS) agreements with utilities. Rather than billing monthly for the services, a one-time payment could be made at the beginning of each year. This would help alleviate the need for NoaNet to draw on lines of credit.

Mr. Johnson stated that a recent change in the law now allows pre-payment of services. A one-time payment would have the same budgetary impact to the PUD.

Mrs. Creekpau mentioned that NoaNet had received an award at Computerworld Honors Program for its work to expand broadband infrastructure across rural communities in Washington. Sixteen of the 269 awards went to BTOP grant recipients.

The PURMS board recently voted to allow Jefferson PUD into the property insurance pool. It has been a participant in the medical and liability pools.

COMMISSIONERS' REPORT

Ms. Gott reported on her attendance at the Green Diamond dignitaries' breakfast for Forest Festival on June 1. Following this, she went to the memorial service for Larry Kinney in Seattle. Mr. Kinney was on the boards for ENW and NoaNet following his career as the president of the State Labor Council.

Ms. Gott also reported on the Public Power Council (PPC) meetings she attended on June 5-6 in Portland. At the June 5<sup>th</sup> members' forum a presentation was given on the relation between the Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC).

Mr. Farmer also attended the PPC meetings last week, and will be attending the American Public Power Association's (APPA) national conference June 15-19.

GOOD OF THE ORDER

John Bolender, district manager for the Mason Conservation District (MCD), announced that PUD 3 has been chosen as a 2012 conservation steward by the MCD board of supervisors.

The conservation district worked closely with the PUD design team to introduce native plants into the area around the Johns Prairie operations center, and adopt ways to manage stormwater runoff in a manner that reduced environmental impacts.

Mr. Bolender cited the PUD's "visionary leadership in conservation with the development of the operations center." He noted that the PUD used extensive sustainable design elements to reduce energy consumption, the use of water, and lessen the impact on the landscape. He said that this not only conserved future natural resources, but introduced Leadership in Energy and Environmental Design (LEED) development in Mason County.

He said that the partnership between the conservation district and the PUD demonstrated how local government cooperation can achieve substantial public benefits through sharing of resources and the wise use of public finances.

Following a calendar review, and with no further business appearing, the commission meeting adjourned at 10:59 a.m.

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Thomas J. Farmer, President

ATTEST:

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Bruce E. Jorgenson, Vice President

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Linda R. Gott, Secretary