

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, August 13, 2013.

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

The following PUD 3 personnel were present: Customer Service Manager Diane Archer; Director of Business Services John Bennett; Executive Assistant / Records Program Administrator Lynn Eaton; Conservation Manager Justin Holzgrove; Public Information & Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; 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 Dedrick Allan of Mason WebTV, and Jay Himlie of Shelton.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented. It was noted that an executive session was scheduled for the purposes of RCW 42.30.110(1)(c) to consider the minimum price at which real estate will be offered for sale or lease; and RCW 42.30.110(1)(g) to review the performance of a public employee. The executive session was estimated to last 20 minutes and no action would be taken following it.

CONSENT AGENDA

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

- a. Minutes of the July 23, 2013, regular commission meeting.
- b. Voucher Nos. (dated July 30, 2013) 123226 through 123317 — \$ 835,843.03  
(Includes electronic funds transfer payment Nos. 990-992.)  
Voucher Nos. (dated August 6, 2013) 123318 through 123422 — 480,984.21  
(Includes electronic funds transfer payment Nos. 993-1003.)  
Voucher Nos. (dated August 13, 2013) 123423 through 123536 — 1,693,426.17  
(Includes electronic funds transfer payment Nos. 1004-1011.)  

TOTAL \$ 3,010,253.41
- c. Void accounts payable checks for the week ending July 26, 2013, in the total amount of \$2,072.70. Void accounts payable checks for the week ending August 2, 2013, in the total amount of \$2,520.27. Void accounts payable checks for the week ending August 9, 2013, in the total amount of \$402.36.

\* 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. Himlie stated he had read that the fire department had utilized water from the water main extension on Johns Prairie Road last week for its intended purpose – that is to fight a fire. He felt the commissioners deserved a “pat on the back” for supporting the project, particularly Mr. Farmer who had emphatically supported the water line extension for fire suppression purposes.

ACTION ITEMS

Resolution No. 1600 was brought before the commissioners. It is “A Resolution Establishing a Working / Revolving Fund and Repealing Resolution No. 1563.”

Mr. Taylor explained that this resolution is a housekeeping item which makes minor adjustments to how the distribution in cash is made to each location. Specifically, the Belfair and Payment Center cash register change funds are decreased and increased \$200 respectively. The total dollar amount remains the same.

Mr. Farmer said he appreciates the open and transparent way PUD 3 deals with its funds.

Ms. Gott moved, motion seconded by Mr. Farmer, to adopt Resolution No. 1600, "A Resolution Establishing a Working / Revolving Fund and Repealing Resolution No. 1563." MOTION PASSED UNANIMOUSLY.

A recommendation was made to authorize the manager to sign the 2013 Cluster Study Agreement (Agreement No. 13TP-10308) between the Bonneville Power Administration (BPA) and the PUD in the event it is determined to be the appropriate course of action. The cost of the study is based on a pro rata share of the amount of transmission capacity requested. The PUD's request is for bringing the four megawatts of White Creek Wind output to load on a long-term, firm basis, so its current share of the study costs is estimated to be \$420.

The agreement is the result of the PUD's and other parties' requests for transmission service along a particular transmission line. BPA has notified the parties that it does not have sufficient Available Flowgate Capability (AFC) on the path requested. Due to this lack of capability, the BPA has deemed the study necessary in order to determine the transmission upgrades needed to satisfy the more than 7,000 megawatts of capacity requested by multiple parties, mostly independent power producers. None of the transmission requests will be granted until the study is completed and suggested upgrades are finished. The PUD will wait to sign the agreement until there are enough participants to make the study feasible.

Because the needed upgrades if any, in addition to the study, are paid for on a pro rata share, if a number of parties decide not to participate, the PUD's costs could be considerably higher. Therefore, staff will watch the process closely and determine whether to sign the agreement prior to the August 20<sup>th</sup> deadline. If the agreement is signed, a ratifying resolution will be brought before the commissioners at the August 27<sup>th</sup> regular commission meeting.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to participate in the BPA 2013 Cluster Study Agreement (Agreement No. 13TP-10308) pending final review by staff, and authorize the manager to sign the agreement on behalf of PUD 3. MOTION PASSED UNANIMOUSLY.

#### STAFF REPORTS

Mrs. Speaks reviewed the status of the budget as of July 31, 2013, with the commissioners. Expenditures and receipts are both at 59 percent of budgeted amounts.

Mr. Taylor then presented the treasurer's report for July. He noted PUD 3 ended the month of July with operating reserves of \$16 million, while total investments were \$37.3 million. Interest rates remain unchanged.

Mr. Samuelson reported that BPA had finalized its plans for increases in the cost of wholesale electricity and transmission services for the 2014-2015 federal fiscal years, beginning October 1, 2013. He said that the estimated increase for wholesale electricity is 9.6 percent, and 9.3 percent for transmission services. He said staff is reviewing what impact these increases will have on PUD 3's total purchased power costs.

Mr. Samuelson noted that PUD 3 received confirmation that its appeal for an exemption from certain registration and reliability standards under the Energy Policy Act of 2005 has been received by the North American Electric Reliability Corporation (NERC). The appeal was formally submitted to NERC last week. The PUD has been granted a 30-day period to provide additional supporting documentation and information.

The PUD had applied to the Western Electricity Coordinating Council (WECC) for an exemption and was denied.

Mr. Samuelson informed the commissioners that BPA has re-started its wind integration case to handle situations that arise during spring high water run-off. The final record of decision for the case is expected in October.

Mr. Farmer inquired as to whether Mr. Samuelson anticipates wholesale transmission rates to increase more in the future, to which Mr. Samuelson replied yes. Mr. Samuelson also noted that an evaluation is currently being done on the impact the recently announced increases will have on PUD 3's rates to its customers, with results expected in September.

Mrs. Creekpau reported that the annual PUD employee picnic will be held tomorrow at the Johns Prairie operations center.

Mrs. Creekpau presented the commissioners with a proposal to offer new internet bandwidth rates to retail service providers on the PUD's fiber optic network. She said the plan would allow the PUD to offer retailers lower rates on annual contracts.

Ms. Gott moved to proceed with the process to establish a new rate schedule for internet bandwidth rates with an effective date of September 1, 2013, via resolution at the August 27, 2013, commission meeting. Mr. Jorgenson seconded the motion and the MOTION PASSED UNANIMOUSLY.

COMMISSIONERS' REPORT

Ms. Gott reported on her attendance at the Energy Northwest quarterly board of directors meeting in Richland on July 24, and the executive committee meeting held on July 25.

Following the Energy Northwest meetings, she went to Grand Coulee dam to participate in the tour of the facility on July 26 that was put together by the Public Power Council.

On July 31 and August 1, Ms. Gott attended the Public Power Council's members' forum and executive committee meetings.

Ms. Gott also reported she attended Tacoma Public Utilities' public dedication of the Turbine 2 at Lake Cushman last week, as well as the Washington Public Agencies' Group (WPAG) meeting.

Mr. Jorgenson reported that he is making great strides in his recovery from back surgery.

Mr. Farmer reported that he also attended the Tacoma Public Utilities' public dedication of the Turbine 2 at Lake Cushman last week.

GOOD OF THE ORDER

During a calendar review, Mr. Farmer noted the employee picnic which will be held tomorrow to which the commissioners were invited and may attend.

With no further business appearing, the commission meeting recessed at 10:28 a.m. for five minutes, and reconvened at 10:33 a.m.

The commissioners then adjourned the regular meeting at 10:33 a.m. and met in executive session for 20 minutes to consider the minimum price at which real estate will be offered for sale or lease; and to review the performance of a public employee. No action will be taken following the executive session.

The executive session adjourned at 10:53 a.m. and the regular meeting reconvened. It was announced that the commission would continue to meet in an executive session for an addition 10 minutes to consider the minimum price at which real estate will be offered for sale or lease.

The regular session adjourned at 10:53 a.m. and the executive session reconvened.

The executive session adjourned at 11:03 a.m. and the regular meeting reconvened.

With no further business appearing, the meeting was adjourned at 11:03 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