

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, November 26, 2013.

District officers present were: Commissioners Thomas J. Farmer, Linda R. Gott and Bruce E. Jorgenson; Manager Annette Creekpaum; 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; Conservation Manager Justin Holzgrove; Public Information/Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; Power Supply Manager Matt Samuelson; Director of Business Operations Michelle Wicks; and Executive Assistant/Records Program Supervisor Lynn Eaton (recorded minutes).

A Member of the public in attendance was Dedrick Allen of MasonWebTV.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented. It was noted that two executive sessions were scheduled for the purposes of item(s) 42.30.110(1)(ii) to discuss potential litigation and 42.30.110(1)(g) to review the performance of a public employee. Each executive session was estimated to last 5 minutes with no action to follow.

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:

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| a. | Minutes of the November 12, 2013, public hearings and regular commission meeting. | | |
| b. | Voucher Nos. (dated November 19, 2013) 124780 through 124853 | — | \$ 2,443,034.91 |
| | (Includes electronic funds transfer payment Nos. 1105-1108.) | | |
| | Voucher Nos. (dated November 26, 2013) 124854 through 124956 | — | <u>1,132,363.06</u> |
| | (Includes electronic funds transfer payment Nos. 1109-1111.) | | |
| | | TOTAL | \$ 3,575,397.97 |

* 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 stated comments would be accepted throughout the meeting.

ACTION ITEMS

Resolution No. 1606, which is “A Resolution Revising Certain Rate Schedules and Establishing a New Rate Schedule” was brought before the commissioners for their consideration. This resolution was prepared following the public rate hearing held on November 12, 2013, and .revises retail electric rates and the daily customer charge for schedules 12, 20, 21 and 61. The resolution implements the new rate schedules which includes a rate increase on single phase residential energy charges from \$.0651 per kWh to \$.0652 per kWh and daily system charges from \$.70 per day to \$.80 per day. The resolution also establishes a new Schedule 50 for “New or Expanding Large Load.” In addition, Resolution 1606 decouples the State Public Utility Tax from the energy rate and authorizes the district to disclose the tax separately on customer billings for transparency. Resolution 1606 establishes a new rate for Outdoor LED Low-Wattage Luminaire Lighting under Schedule 41.

The changes for Schedules 41 and 50 will go into effect with meter readings on and after November 26, 2013, all other schedules will go into effect with meter readings on or after February 1, 2014 except for the new Schedule 61 for “Large Industrial Lighting and Power Service Bus Bar Rate”, which will go into effect after the expiration of the existing contract with meter readings on or after July 1, 2014.

Mrs. Creekpaum reviewed the discussion at the rate hearing which highlighted that PUD staff has worked hard with the assistance of a third-party to establish a new rate schedule through a fair method. She pointed out that since 2008, PUD 3’s purchased power costs have gone up by 24.6 percent and approximately 21 percent is due to increased rates from the Bonneville Power Administration (BPA), while during the same time frame, PUD 3 only raised its retail electric rates by 9.4 percent. She also explained that one of the driving factors behind the rate increase was due to the wholesale rate increase imposed by the BPA in October of this year of 9.66 percent for energy and 9.3 percent for transmission services. PUD 3 has been using some reserves and financial management efforts to hold off passing along the increase to customers until the proposed February 2014 billing

month. One of the other factors is due to cost of the requirements under the Energy Independence Act (EIA) which is estimated to equate to nearly 1.1 million in 2014.

Ms. Gott commended staff for their efforts and hard work in establishing a fair rate schedule and setting the utility up for the future.

Mr. Farmer also thanked staff and pointed out that nearly three-quarters of the rate increase is due to external factors such as BPA rate increases and EIA requirements.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to adopt Resolution No. 1606, "A Resolution Revising Certain Rate Schedules and Establishing a New Rate Schedule." MOTION PASSED UNANIMOUSLY.

Recommendation was made to adopt Resolution No. 1607, which is "A Resolution Adopting the Budget for the Fiscal Year 2014" as Presented. The budget has been presented and discussed with the commissioners, and a public hearing was held on November 12, 2013.

Mrs. Creekpaum pointed out the budget is balanced and anticipates \$62.1 million in cash receipts and expenditures. It includes a the retail rate increase effective with meter readings on and after February 1, 2014, as well as a \$0.10 per day increase in the daily system charge with the same effective date.

Mrs. Speaks went over some of the information that was discussed at the public hearing in which she highlighted that PUD 3 uses a zero based budget system. Mrs. Speaks explained that the budget assumes a low to no growth which has a negative impact on revenues. The budget also includes the increase in wholesale rates from the Bonneville Power Administration, and expenditures required to meet The Energy Independence Act (Initiative 937) requirements for renewable energy purchases and conservation programs. Mrs. Speaks explained that the 2014 budget plans to use approximately 750,000 in reserves to offset the impact of the rate increase and budget to PUD customers. In addition the 2014 budget includes two apprenticeship positions to fill upcoming vacancies in 2015 due to retirement.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1607, "A Resolution Adopting the Budget for the Fiscal Year 2014." MOTION PASSED UNANIMOUSLY.

Resolution No. 1608, which is "A Resolution Authorizing Energy Northwest to Refund a Portion of the Energy Northwest Wind Project Revenue Bonds, Series 2005," was then presented.

Mrs. Creekpaum reported that Energy Northwest is looking at refunding (refinancing) a portion of the series 2005 bonds for the Nine Canyon wind project. With the low interest rates, the estimated savings to PUD 3 would be roughly \$10,000. Mrs. Creekpaum pointed out that Neraas, bond counsel for Foster Pepper PLLC drafted the resolution.

Ms. Gott moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1608, A Resolution Authorizing Energy Northwest to Refund a Portion of the Energy Northwest Wind Project Revenue Bonds, Series 2005." MOTION PASSED UNANIMOUSLY.

Recommendation was made to adopt Resolution No. 1609, which is "A Resolution Declaring Electric System Items Surplus (Non-PCB Contaminated)."

Mr. Jorgenson moved, motion seconded by Ms. Gott, to adopt Resolution No. 1609, "A Resolution Declaring Electric System Items Surplus (Non-PCB Contaminated)." MOTION PASSED UNANIMOUSLY.

A recommendation was then made to authorize the manager and/or her designee to sign an interlocal agreement with The Cooperative Purchasing Network (TCPN). The cooperative is a nationwide group that involves no cost to the district but allows for discounts on certain purchases.

Ms. Gott moved, motion seconded by Mr. Jorgenson to authorize the manager and/or her designee to sign a interlocal agreement with The Cooperative Purchasing Network.

STAFF REPORTS

Mr. Samuelson reminded commissioners that the district continues to work on the distributed generation interconnection standards and to expect a proposal in the next few months.

Mr. Samuelson also informed the commissioners that the October bill from the Bonneville Power Administration (BPA) included a true-up of the load shaping charge for the year at approximately \$150,000. He explained that BPA uses the load shaping charge to cover the costs of acquiring power to meet loads over and above the Tier 1 base rate, or it may issue a credit if a utility uses less than its base amount. The charge depends on the difference between the market value of the unused power that BPA sells on the open market and the amount that PUD 3 paid for it.

Mrs. Creekpaum informed commissioners the November issue of the Northwest Public Power Association Bulletin highlighted Mason County PUD 3's Energy Expo that it conducted during Public Power Week in October. The article included a photograph of the Expo's main characters Professor Energy and Hydro Girl.

Mrs. Creekpaum reported that the insurance provider Marsh will be on site during the first week of December to appraise PUD properties for insurance reasons. Risk Manager Bob Smith will be escorting the insurance appraiser around the facilities.

Mrs. Creekpaum notified commissioners that PUD 3 will be taking advantage of the discount offered by NoaNet for advance payment of its network communication services (NCS) agreement. Rather than billing monthly for the services, a one-time annual payment could be made at the beginning of each year. This would help alleviate the need for NoaNet to draw on lines of credit and amount to a savings of approximately \$3,300 to the district.

Mrs. Creekpaum reported her attendance along with Joel Myer and Justin Holzgrove to the city of Shelton's commission meeting on Monday. She shared that the city is moving forward on the agreement to take advantage of the LED Low-Wattage Luminaire Lighting street light pilot project.

Mrs. Creekpaum asked Mr. Myer introduce a video documenting the work done in Belfair in conjunction with the State Route 3 (SR3) widening project. The video shows how crews were able to move three of four transmission and distribution lines to accommodate the Washington State Department of Transportation's plans to widen SR3. The crews dug trenches behind the poles and slid the poles into the new location using wenches and pulleys while the lines were still energized. This technique was able to save the district and ratepayers from paying for new facilities and helped avoid multiple outages to thousands of customers. PUD 3 engineers and line crews were commended by commissioners for this innovative and cost-savings idea.

Mrs. Creekpaum reported that the PUD 3 Employees Association was delivering nine food baskets for Thanksgiving to families in PUD's service territory. The food baskets were made from donations of PUD employees in addition to \$300 in gift cards that were also collected to be given to families in need.

COMMISSIONERS' REPORT

Ms. Gott reported her attendance at the NoaNet meeting on November 13. She explained that NoaNet is working on its 2014 budget and explained that the NCS annual payments will help provide working capital while reducing the need to take out additional lines of credit.

Mrs. Gott also reported her attendance at the Washington Public Utilities District Association (WPUDA) Telecommunications and Board of Directors Meetings in Olympia.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting recessed at 10:37 a.m. for a short break, and reconvened at 10:44 a.m.

The commissioners then adjourned then met in executive session for 5 minutes to discuss potential litigation. No action would follow the executive session.

The executive session adjourned at 10:49 a.m. and the regular meeting reconvened.

The commissioners then adjourned then met in executive session for 5 minutes to discuss the performance of a public employee. No action would follow the executive session.

At 10:54 the executive session adjourned and it was announced that the commissioners would continue in executive session for an addition 5 minutes.

The executive session adjourned at 10:59 and the regular meeting reconvened. With no further business appearing, the commission meeting adjourned at 10:59.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary