

MINUTES OF PUBLIC HEARINGS
and
SPECIAL MEETING OF COMMISSIONERS
OF PUBLIC UTILITY DISTRICT NO. 3
OF MASON COUNTY, WASHINGTON

President Farmer called the public hearing on the proposed electric rates increases to order at 10:00 a.m. The hearing was held in the PUD 3 auditorium (Skookum Room) at 2621 E. Johns Prairie Road in Shelton, Washington, on Monday, November 10, 2014.

District officers present were: Commissioners Thomas J. Farmer, Linda R. Gott, and Bruce E. Jorgenson; Manager Annette Creekpau; 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; Customer Service Manager Diane Hennessy; Public Information & Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; Telecommunications Supervisor Mike Rientjes; Power Supply Manager Matt Samuelson; Director of Business Operations Manager Michelle Wicks; and Executive Assistant / Records Supervisor Lynn Eaton (recorded minutes).

Members of the public in attendance were: Jay Himlie of Shelton and Natalie Johnson of *The Shelton-Mason County Journal*.

PUBLIC HEARING – PROPOSED RATES

Proposed Electric Rates

Mr. Farmer stated that the public hearing is to receive comments on the proposed electric rate increases. The increases, if adopted, will take effect with meter readings on and after December 1, 2014 for Schedules 24 and 41 and February 1, 2015 for all other schedules. The drivers for the rate increase include:

- Pending increased rates in wholesale energy and transmission services from the Bonneville Power Administration;
- The requirements under the Washington State Energy Independence Act to purchase more expensive renewable resources and increase conservation efforts;
- Continued investment in PUD 3 infrastructure for system reliability improvements and standards;
- Cost of living increases;
- Increase cost of goods and services.

Commissioners were provided with copies of all rate schedules with the proposed changes and Mrs. Speaks went over the details of the proposed rate increase for the residential (Schedule 12) with the commission. She explained that a three percent increase in the kilowatt per hour charge as well as a ten cents per day increase in the system charge was proposed. Bringing the Energy rate to \$0.0672 per kWh and \$0.90 per day system charge. If adopted this change would take affect with meter readings on and after February 1, 2015.

Mrs. Speaks then noted that proposed changes to the small commercial (Schedule 20) would include a three percent increase in the kilowatt per hour charge as well as a ten cents per day increase in the system charge. Bringing the Energy rate to \$0.0736 per kWh and \$1.12 per day system charge. If adopted this change would also take affect with meter readings on and after February 1, 2015.

For the large commercial (Schedule 21), Mrs. Speaks explained that while no increase for energy rate or system charge was proposed, it was recommended to raise the demand charges by ten percent. Bringing demand charges to \$8.32/kW. This change if adopted, would take affect with meter readings on or after February 1, 2015.

A change for the industrial rates (Schedule 61) is proposed to include an eight percent increase in energy rates, a ten cent per day increase in system charge, and twenty percent increase in demand. Bringing the energy rate to \$0.0364, the system charge to \$2.63 per day, and demand charges to \$8.83/kW. This change if adopted would take affect with meter readings on or after February 1, 2015.

Mrs. Speaks noted a small change proposed for the outdoor lighting (Schedule 41) to include metered LED lights. Currently the schedule only allows for unmetered LED street and area lights.

At Mrs. Creekpau's request, Mr. Samuelson introduced a newly proposed rate schedule (Schedule 24) that would provide service to cannabis producers and/or processors as authorized under Washington State law. Mr. Samuelson explained that while the question has been posed, the Bonneville Power Administration has not yet given direction on the ability to use federal power for the purposes of producing and/or processing of cannabis. In addition, PUD 3's portion of Tier I energy purchases has been fully allocated, which would drive any large new load growth into the more expensive Tier II resources by default. Mr. Samuelson explained that in order to be proactive, staff is proposing the new rate class so that the ability to serve this new load is protected, and the potential future need to serve this customer class with a non-blended resource is secured.

Proposed Telecommunication Rates

Commissioners were provided with copies of the proposed changes to the telecommunication rates and Mrs. Creekpauam went over the details of the proposed changes with commission. She explained that the monthly Network Access Port charge for 100 Mbps has not been changed since 2005. Staff is recommending an increase from \$18.50 per month to \$25.00 per month. She pointed out that compared to other utilities who offer this service, this is still a low and reasonable charge.

Mrs. Creekpauam then introduced two new offerings of: 1 Gig basic service (where available) at a cost of \$65.00 per month; and Premium Level Support at \$10.00 per month.

The Video Services (100Mbps) is being proposed to reduce from \$2.50 to \$1.50, in addition to reducing the Setup Fee from \$50.00 to \$25.00.

With no public comments forthcoming, commissioners will consider adoption of the proposed rates at the next regular business meeting on November 25, 2014. The public hearing on proposed rates was adjourned at 10:12 a.m., at which time the public hearing for the 2015 proposed budget was called to order by Mr. Farmer.

PUBLIC HEARING – PROPOSED 2015 BUDGET

Mr. Farmer stated that the public hearing is to receive comments on the proposed 2015 operating budget, and asked Mrs. Speaks to give an overview of the budget.

Mrs. Speaks explained that the PUD uses a conservative zero-based budgeting approach, meaning that budget items are based on need and each budget request is preapproved before it is included in the budget.

Mrs. Speaks explained that the proposed 2015 budget is an increase over the 2014 budget. She noted that as mentioned in the rate hearing, there are rate increases proposed which are driven by several factors such as:

- The Bonneville Power Administration (BPA) is proposing a minimum rate increase of 7 percent for power purchases, and 5.5 percent for transmission services. When BPA Administrator Elliot Manzier was at PUD 3 in September, he explained the reasons for the increase as: updating power lines and dams due to aging infrastructure, and ever increasing fish and wildlife programs. Mrs. Speaks noted that nearly a quarter of local electricity bills go towards fish and wildlife programs.
- The requirement of the Energy Independence Act requirements to purchase more expensive qualified renewable energy will increase to nine percent of the total energy portfolio starting in 2016. This is up from the current requirement of three percent.
- Continued need to invest in infrastructure to meet system reliability projects and standards as well as prepare for anticipated growth.
- Cost of living increases.
- Increases in the cost of goods and services.

In the proposed 2015 budget anticipates receipts of \$47.1 million from the sale of energy and \$10.1 million from the daily system charge. In January the District expects to receive a \$200,000 down payment for the pending sale of the downtown administration building to the Mason Conservation District. Mrs. Speaks explained that budget includes the down payment in addition to monthly principal and interest payments from the sale. Mrs. Speaks concluded her cash receipts discussion with the anticipated telecommunications revenues which are projected to be \$145,000 greater than 2014.

Mrs. Speaks outlined the expenditures for 2015 which include: additional funding for conservation to meet targets under the Energy Independence Act; extraordinary capital for upgrades to communications facilities for radios, increased network storage needs, and software for records management; increased capital expenditures for telecommunication build-outs to high demand neighborhoods; increased labor costs without an increase in full time employees; increased contract tree trimming costs; increased taxes; and increased purchased power costs as mentioned.

Mrs. Speaks reported that the 2015 budget includes a total of \$63.7 million in receipts, \$63.7 million in expenditures for a 2.54 percent increase over the 2014 budget.

After some discussion, with no public comments forthcoming, Mr. Farmer explained that commissioners will consider adoption of the proposed budget at the next regular business meeting on November 25, 2014. The public hearing was adjourned at 10:27 a.m., at which time the special meeting was called to order by Mr. Farmer.

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 October 28, 2014, regular commission meeting.
- B. *Voucher numbers: (dated November 4, 2014) 129656 through 129746 \$ 399,078.69
(Includes electronic funds transfer payment Nos. 1432-1434.)
*Voucher numbers: (dated October 28, 2014) 129747 through 129861 \$ 792,485.65
(Includes electronic funds transfer payment Nos. 1435-1445.)
TOTAL \$ 1,191,564.34

* 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 announced comments from the public would be accepted at this time.

ACTION ITEMS

Recommendation was made to adopt Resolution No. 1632, "A Resolution Authorizing Energy Northwest to Refund a Portion of Energy Northwest Wind Project Revenue Bonds, Series 2006."

Mrs. Creekpaum explained that by adopting the resolution and authorizing the refund of the Phase III 2006 bonds, PUD 3 would see an estimated annual savings of approximately \$11,000. She noted that the resolution also allows for additional Phase III bonds in the amount of \$20.8 million to be included if rates fall prior to pricing.

Mrs. Gott moved, motion seconded by Mr. Jorgenson to adopt Resolution No. 1632, "A Resolution Authorizing Energy Northwest to Refund a Portion of Energy Northwest Wind Project Revenue Bonds, Series 2006." MOTION PASSED UNANIMOUSLY.

Recommendation was then made to surplus Vehicle No. 490. Mrs. Creekpaum explained that the vehicle was involved in an accident and was totaled. Insurance will be issuing a payment to PUD 3 and the vehicle will be sold as scrap.

Mr. Farmer moved, motion seconded by Mr. Jorgenson to surplus Vehicle No. 490. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reported to the commissioners on the status of the budget as of October 31, 2014. With October representing 83 percent of the year, receipts year to date were 80 percent of budget and expenses year to date were also at 80 percent. The year-to-date expenditures totaled \$49.6 million while year to date revenues were at \$49.5 million. Mrs. Speaks noted that she anticipates a balanced budget at year end.

Mr. Taylor reviewed the October 2014 treasurer's report with the commissioners. He pointed out that the total of all funds at the end of October was \$36,465,059 which is an increase of \$334,392 over September. Outstanding warrants for the month of October were \$116,413.55.

Mrs. Creekpaum noted for the record that Mr. Farmer was re-elected to serve an additional six-year term for PUD 3's district number two which will be certified on November 25th.

Mrs. Creekpaum reported that District's system weathered the wind storm last week with relatively small outages in comparison to some of its neighboring utilities.

Mrs. Creekpaum noted that Tuesday, November 11 is Veteran's Day and thanked the commissioners and staff for their individual service or the service of their family members. She noted that a tribute to veterans would be posted on the District's Facebook page.

Mrs. Creekpaum announced that Mason PUD 3 has been awarded the Certificate of Achievement for Excellence in Financial Reporting (CAFR) from the Government Finance Officers Association (GFOA) for the tenth consecutive year for its 2013 annual report.

Mrs. Creekpaum reported that the utility will be conducting its annual workplace campaign for the United Way of Mason County. The utility has been recognized for the previous two years for employee donations that placed PUD 3 in the High Five Club as one of the top five organizations for the most money raised for non-profit.

COMMISSIONERS' REPORT

Ms. Gott reported her attendance at the Public Utility Risk Management Services (PURMS) annual meetings regarding the insurance pool. She noted that the claims activity was up in 2014 due to older claims being settled.

Mr. Farmer congratulated the finance group on the CAFR award and stated that the annual report is a great tool for commissioners, staff, and ratepayers.

Mr. Farmer reported that he will be attending NoaNet meetings this week.

GOOD OF THE ORDER

Following the calendar review and good of the order, with no further business appearing, the commission meeting adjourned at 10:43 a.m.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary