

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

President Gott 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, January 26, 2016.

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; Director of Business Operations Michelle Burleson; Customer Service Manager Diane Hennessy; Energy Resources Manager, Justin Holzgrove; Interim Power Supply Manager Pat McGary; Public Information & Government Relations Manager Joel Myer; Power Supply Manager Michele Patterson; Director of Engineering Terry Peterson; Records Coordinator Jennifer Renecker; and Executive Assistant / Records Supervisor Lynn Eaton (recorded minutes).

One member of the public in attendance was Dedrick Allen of *Mason Web TV*.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented. It was noted that an executive session would be held for the purposes of item 42.30.110(1) (i) (iii) to discuss with legal counsel the legal risks of a proposed action or current practice. The executive session is estimated to last approximately 10 minutes, with action to follow.

CONSENT AGENDA

Ms. Gott reviewed the items listed on the consent agenda Mr. Jorgenson moved, motion seconded by Mr. Farmer, 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 January 12, 2016 regular commission meeting. | |
| b. Voucher Nos. (dated January 12, 2016) 135342 through 135421
(Includes electronic funds transfer payment Nos. 1818-1820.) | — \$ 990,926.77 |
| c. Voucher Nos. (dated January 19, 2016) 135422 through 135535
(Includes electronic funds transfer payment Nos. 1821-1837.) | — \$ 3,578,913.03 |
| d. Voucher Nos. (dated January 26, 2016) 135536 through 135593
(Includes electronic funds transfer payment Nos. 1838-1841.) | — <u>\$ 790,553.20</u> |
| | TOTAL \$ 5,360,393.00 |
| e. Void accounts payable check for the week ending January 15, 2016, in the total amount of \$175,119.00.
Void accounts payable check for the week ending January 22, 2016, in the total amount of \$167,049.00. | |

* 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.

PUBLIC COMMENT

There was no comments from the public.

ACTION ITEMS

President Gott called the meeting into executive session at 10:05 for the purposes 42.30.110(1) (i) (iii) to discuss with legal counsel the legal risks of a proposed action or current practice. The executive session adjourned at 10:15 and the regular meeting reconvened.

Recommendation was made to approve Resolution No. 1656 “A Resolution Terminating Contributions to Voluntary Employees’ Beneficiary Association (VEBA).” At Mrs. Creekspaum request, Mr. Johnson explained that the VEBA benefit was established in 1999 and in 2004 the PUD began self-administering the plan. With changes to the Affordable Care Act, the burden for compliance is much greater. The resolution terminates the VEBA contribution for non-union employees and would redirect the benefit to Deferred Composition Plan. Authorization would also be given to the manager to bargain with the labor union regarding termination of contributions to the existing VEBA account and finding an alternate solution.

Ms. Gott moved, Mr. Jorgenson seconded to Approve Resolution No. 1656 “A Resolution Terminating Contributions to Voluntary Employees’ Beneficiary Association (VEBA)”. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Creekpauam gave the engineering update with the year end of 2015 at 1,767 service applications compared to the 2014 year end of 1,412.

At Mrs. Creekpauam's request, Mr. Holzgrove informed commission of a pending conservation rebate. He explained that a large conservation project was performed at the waterfront mill (previously Simpson Lumber) in which administrative costs are eligible for reimbursement. An invoice has been sent to Bonneville Power Administration (BPA) for \$112,000 dollars from Energy Efficient Incentives (EEI) funds to cover those expenses.

Mrs. Creekpauam explained that Public Power Council voted to support a split for the Energy Efficient Incentives (EEI) which would change the structure of conservation funding to seventy five percent self-funded and twenty five percent funded from BPA. Staff has raised concerns over this potential action with the Western Public Agency Group (WPAG). Mr. McGary explained that during the last rate case, BPA moved from borrowing for conservation to direct funding it in the rates. Supporters of this proposed structure are looking at BPA spending on conservation as an opportunity to cut overspending by BPA. Currently PUD 3 is able to use BPA funding to satisfy all of its requirements under the Energy Independence Act (I-937). Unfortunately it is the small co-ops that are not required to meet this mandate that are driving the initiative. Mr. McGary speculated that a BPA rate decrease would not offset the increases in PUD 3's conservation spending to be compliant. Mrs. Creekpauam explained that staff will be involved in the three-day meeting in Portland kicking off BPA's 'Focus 2028' process and petitioning against the measure, however Mr. McGary is suggesting that if it is going to happen it should be gradual so the utility can prepare for the change financially. He said it could mean a rate increase for customers if it is adopted in the new rate case.

Mrs. Creekpauam reported that staff conducted a tour with the Department of Corrections and its contractors and outside engineering firm at the Olympic View Generating Station. The agency is looking at replacing its high voltage equipment and considering the use of the generating plant.

Mrs. Creekpauam reported on staff attendance at the Western Public Agencies Group (WPAG) meeting where the line of credit between Energy Northwest and the BPA was discussed. The cooperation between agencies will result in lower cost power purchases for the BPA and the ability to refinance debt at a lower interest rate for Energy Northwest resulting in a \$91 million savings.

Mrs. Creekpauam announced that the enterprise software conversion went live this week for its business applications called ABS. The customer service application is expected to go live in May.

At Mrs. Creekpauam's request, Ms. Patterson presented the power situation statement for December 2015. Purchased power was up with a much colder month than November which came (among other factors) contributed to several concerns from customers for high bills this month. Ms. Patterson noted for the year-end review, nearly one million dollars was spend on compliance with the Energy Independence Act (I-937). Although purchased power was down by 2.2 percent the cost for power only saw a decrease of .8 percent from 2014 to 2015.

At Mrs. Creekpauam's request, Mr. Myer gave a legislative report. Some of the issues included: the carbon tax initiative (I-732); extending community solar incentives; and retail authority for public utilities.

COMMISSIONERS REPORT

Mr. Farmer reported he will be attending the North Mason Chamber meeting this week and Public Power Council meeting February 3 -4.

Ms. Gott reported her attendance at the Mason County Chamber awards dinner, her attendance at the legislature hearing regarding telecommunications retail authority, a conference call into the exit conference with the state auditor's office for NoaNet earlier today, and her plans to attend the executive board meetings for Energy Northwest this week in Olympia.

GOOD OF THE ORDER

After a calendar review and with no further business appearing, the commission adjourn at 10:55.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary