

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

President Farmer called a special 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 East Johns Prairie Road in Shelton, Washington, on Tuesday, March 5, 2013.

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

The following PUD 3 personnel were present: Customer Service Manager Diane Archer; IS Manager John Bennett; Executive Assistant / Records Program Administrator Lynn Eaton; Power Supply Analyst Season Eddings; Conservation Manager Justin Holzgrove; Public Information & Government Relations Manager Joel Myer; Engineering Manager Terry Peterson; Operations Manager Scott Peterson; Power Supply Manager Matt Samuelson; Risk Manager Bob Smith; Human Resources & Labor Relations Manager Michelle Wicks; and Administrative Services Manager Nancy Bolender (recorded minutes).

Members of the public in attendance were: Account Executive Marcus Perry of the Bonneville Power Administration (BPA) Power Business Line; Analyst Matt Neal of BPA; and Louis Cofoni of Shelton.

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 February 26, 2013, regular commission meeting.

B. * Voucher numbers: 121206 through 121261 \$ 562,595.09
(Includes electronic funds transfer payment Nos. 852-853.)

* 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. Cofoni inquired about whether the hydropower percentage on the PUD's fuel mix report will change at any time. It was explained by Mr. Samuelson that due to constraints imposed on the federal system, as well as fish and wildlife costs, the hydropower percentage will probably decrease as a total percentage of the fuel mix, not increase.

Mr. Cofoni expressed his view on the industry's consideration of utilizing geothermal power, and stated for the price it costs to produce, he feels it isn't worth it.

ACTION ITEMS

Resolution No. 1593 was brought before the commissioners for their consideration. It is "A Resolution Adopting the Mason County All Natural Hazard Mitigation Plan."

PUD 3's draft plan, which was presented to the commission on September 11, 2012, and been posted for public review and comment, has been reviewed by local, state and federal agencies. It was returned to the PUD for commission adoption, which is necessary for final approval by the Federal Emergency Management Agency.

The process does not guarantee funding or assistance for PUD projects designed to reduce the impact of natural disasters on its system. Rather, being included in the county's plan places the PUD in a position where such projects may be eligible for assistance when they are submitted for consideration by Washington State or federal agencies.

Ms. Gott moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1593, "A Resolution Adopting the Mason County All Natural Hazard Mitigation Plan." MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Creekpaum reported on the status of the budget ending February 28, 2013. February expenditures were \$5.6 million. Expenditures for the first two months of the year were \$10.9 million, or 19 percent of the adopted 2013 budget.

Revenue for February was \$6 million, including \$600,000 realized by the sale of the PUD's former Mt. View area warehouse. Revenue for the first two months of the year was \$11.3 million, which is 19 percent of what was anticipated in the adopted 2013 budget.

Mrs. Creekpaum said that the PUD, as of the February report, had a positive budget balance of \$408,064, due to the funds from the sale of the warehouse facilities.

Mrs. Speaks reported that PUD 3 ended the month of February with operating reserves of \$16.8 million. Total investments were \$38.5 million. She also reported on some new investments made using bond surety reserve accounts.

Mr. Samuelson introduced Mr. Perry and Mr. Neal of the Bonneville Power Administration. Mr. Perry is the PUD's new account executive, and he has a thorough understanding of BPA's tiered rate methodology and billing determinants.

Mrs. Wood provided the commissioners with information pertaining to the Columbia River Treaty between the United States and Canada. The treaty, which was implemented in 1964, guides the development and operation of some water resources in the Columbia River Basin for flood control and power needs. Most treaty provisions can be terminated on or after September 16, 2024, by providing ten-years advance notice, while some provisions terminate on that date without any action being taken. Studies are underway by various agencies/entities on the costs and benefits of the treaty in order to make a recommendation to the State Department by late 2013 regarding notice of termination.

The treaty and its impacts on Northwest electricity ratepayers is being studied by the Public Power Council (PPC) and will be discussed at the March 6-7 PPC meetings. There are some concerns that the benefits derived by Canada through the treaty in energy supplies and financial payouts exceed the overall value. Mrs. Wood noted that PUD 3 will need to make a decision as to whether to join a group of Columbia River Treaty utilities. Mrs. Wood noted that the March customer newsletter has been expanded to four pages to provide more information about PUD 3 and its activities. The publication is being printed in color. To save money all design, writing and layout is done by PUD employees.

COMMISSIONERS' REPORTS

Ms. Gott reported on the Energy Northwest executive board meeting she attended. Prior to leaving office, former Governor Gregoire submitted a candidate's name for the executive board. (Two positions on the board are appointed by the Governor.) In addition, she increased the wages for executive board members who have a nuclear background; however, board of directors' action is required to implement it. The board is looking at a summary of salaries paid over the years.

Mr. Farmer reported on his attendance at the North Mason Chamber of Commerce monthly meeting. He spoke with people about the Highway 3 road widening project through Belfair which is requiring the PUD to move some transmission and distribution poles.

Mr. Farmer also attended the Victor Improvement Club meeting at which the movement of the Tacoma Power transmission towers in the area was discussed, along with talks with the Department of Natural Resources regarding access to North Bay.

DISCUSSION ITEMS

Mr. Myer reported to commissioners on issues of interest that will be discussed with U.S. Senators Maria Cantwell and Patty Murray as well as Congressmen Denny Heck and Derek Kilmer during meetings the week of March 11 in Washington, DC.

Mr. Myer noted that other utility organizations will be discussing issues of regional interest, including relations with the Bonneville Power Administration, energy development, cyber security, and renewable energy.

Issues that the PUD will specifically discuss with congressional representatives include:

Bulk Power System Exemption Process

PUD 3 has submitted an application to be relieved from registration and reliability reporting requirements under the Energy Policy Act of 2005. PUD 3 does not have extensive high voltage transmission lines in its system. By

having to report as if it does, costs in excess of \$400,000 have been spent complying with federal paperwork over the past four years.

Tax Exempt Municipal Bonds

If public utility districts lose their ability to use tax-exempt financing for capital projects such as new power plants, administrative and operations facilities, power line construction, etc., the costs of projects could increase significantly.

Protection of Build America Bonds from Sequestration and/or Other Legislation

PUD 3 has used Direct Payment Build America Bonds as part of the financing of local capital projects. Cuts in financial benefits from the program could increase the PUD's liability by at least \$86,000 per year.

Health Reimbursement Arrangement (HRA) - Voluntary Employees' Beneficiaries Association Technical Fix

Federal representatives will be asked to help advance legislation (S. 1366 and H.R.2698) out of their respective committees, where they have been languishing since 2011. Either bill will provide a technical, revenue-neutral fix for public employees; giving them more flexibility in designating beneficiaries for their HRAs if they pass away and do not have a spouse or dependent.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting adjourned at 10:38 a.m.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary