

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, January 14, 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: Customer Service Manager Diane Archer; Director of Business Services John Bennett; Conservation Manager Justin Holzgrove; Public Information/Government Relations Manager Joel Myer; Records Coordinator Jennifer Renecker; Risk Manager Bob Smith; and Executive Assistant/Records Program Supervisor Lynn Eaton (recorded minutes).

There were no members of the public in attendance.

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)(i) to discuss with legal counsel potential litigation for an estimated 5 minutes with no action to follow and 42.30.110(1)(c) to consider the minimum price at which real estate will be offered for sale or lease for an estimated 15 minutes with potential 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 December 17, 2013, special commission meeting. | | | |
| b. | Voucher Nos. (dated December 24, 2013) 125188 through 125303
(Includes electronic funds transfer payment Nos. 1134-1140.) | — | \$ | 2,987,439.82 |
| c. | Voucher Nos. (dated December 31, 2013) 125304 through 125377
(Includes electronic funds transfer payment Nos. 1141-1142.) | — | | 538,343.56 |
| d. | Voucher Nos. (dated December 31, 2013) 125378 through 125423
(Includes electronic funds transfer payment Nos. 1143-1150.) | — | | 176,892.89 |
| e. | Voucher Nos. (dated January 7, 2014) 1 25424 through 125497
(Includes electronic funds transfer payment Nos. 1151-1154.) | — | | 367,631.89 |
| f. | Voucher Nos. (dated January 14, 2014) 125498 through 125594
(Includes electronic funds transfer payment Nos. 1155-1160.) | — | | 981,812.35 |
| | | | TOTAL \$ | 5,052,120.51 |

* 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

A recommendation was made to adopt Resolution No. 1615, which is "Revision 1 to Exhibit H of the Regional Power Sales Agreement." This resolution releases PUD 3's interest in the IOU's entitled portion (14 percent) of the Tier I Renewable Energy Certificates (RECs) under the Residential Exchange Settlement Agreement.

Mrs. Creekpau explained that PUD 3 opted not to sign the Residential Exchange Agreement prior to it being upheld by the 9th circuit. She also reported that the utility is currently receiving 100 percent of the RECs however, they are currently of little to no value to the district. Mrs. Creekpau further explained that even if the district opted not to sign the revision, the Bonneville Power Administration (BPA) has indicated that the district may be charged a market based rate for that portion of the RECs in the future.

Ms. Gott moved, motion seconded Mr. Jorgenson, to adopt Resolution No. 1615, "Revision 1 to Exhibit H of the Regional Power Sales Agreement." MOTION PASSED UNANIMOUSLY.

Resolution No. 1616 was then brought before the commission for consideration. It is "Amendment No. 1 to the Energy Conservation Agreement (Contract No. 09ES-11121) with the United States Department of Energy Acting by and through the Bonneville Power Administration." The amendment extends the energy conservation agreement with BPA for one year to September 30, 2015.

Mr. Jorgenson moved, motion seconded by Ms. Gott, to approve Resolution No. 1616, "Amendment No. 1 to the Energy Conservation Agreement (Contract No. 09ES-11121) with the United States Department of Energy Acting by and through the Bonneville Power Administration." MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reviewed the year-end status of the budget report with the commissioners. She reported the year ended with a positive budget balance. Expenditures for the year were at \$57,166,708 or 97 percent of the budgeted amount, while receipts were \$59,086,876, which is 97 percent of anticipated budget. Leaving a positive budget balance of \$12,838 for the year.

Mr. Taylor provided the board with the year-end treasurer's report. PUD 3 ended December 2013 with operating reserves of \$16.5 million and a total of all funds at \$34.7 million.

Mrs. Creekpau reviewed the November 2013 power situation statement with the commissioners. She pointed out that in November of 2013 PUD 3 had purchased 617,144 MWh of electricity year to date, to serve customers' energy needs, which is an increase of one percent over year to date total in November 2012. She also reported that PUD 3 paid \$2.4 million during November on wholesale energy purchases, compared to \$2.1 million for the same period in 2012; an increase of nearly eleven percent. The increase is mainly due to the Bonneville Power Administration's rate increase that went into effect in October.

Mrs. Creekpau reported that Chelan PUD joined the Public Power Council.

Mrs. Creekpau informed commissioners that the Federal Emergency Management Agency (FEMA) is asking state-wide for numbers on the damage from the storm on January 11, 2014. Mrs. Creekpau estimated that for the county it would be approximately \$50,000 which would not be enough to qualify for FEMA funds.

At Mrs. Creekpau's request, Mr. Myer reported on the storm. He shared with commissioners that nearly 6,000 customers were affected by the outage.

Mrs. Creekpau reported that the Economic Development Council (EDC) hired Lynn Longan as the new executive director to replace Matt Matayoshi. She informed commissioners that Joel Myer was on the hiring committee for the EDC.

Mrs. Creekpau also informed commissioners about the January 7, all-employee annual meeting. She explained that it was an opportunity to review 2013 accomplishments, have some employee recognition, and prepare for 2014. She felt that the meeting was valuable and well received.

Mrs. Creekpau announced that PUD 3 received the Government Finance Officers Association (GFOA) award for the 2012 annual report. This is the ninth year in a row that the PUD has received this award in financial reporting.

Mrs. Creekpau recognized Mr. Farmer for celebrating five years of service with the PUD and also Ms. Gott for serving fifteen years with the PUD this month.

At Mrs. Creekpau's request, Mr. Myer updated commissioners on current legislative issues.

COMMISSION REPORT

Ms. Gott reported her attendance at former city commissioner, Dawn Pannell's reception on December 30th. She also reported her attendance at the joint Chamber of Commerce legislative send off on January 7th.

Mr. Farmer reported his attendance at the Public Power Council last week in Portland. He also attended the PUD 3 all-employee meeting prior to the joint Chamber of Commerce legislative send off on January 7th. Mr. Farmer also announced that he will be attending the Tahuya Community Association meeting and plans to share the outage information.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting recessed at 10:27 a.m. for a short break, and reconvened at 10:32 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.

At 10:32 the executive session adjourned and it was announced that the commissioners would continue in executive session for an addition 15 minutes.

The executive session adjourned at 10:47 a.m. and the regular meeting reconvened.

The commissioners then adjourned at 10:48 then met in executive session for 15 minutes to consider the minimum price at which real estate will be offered for sale or lease and potential action would follow the executive session.

The executive session adjourned at 11:00 and the regular meeting reconvened. With no further business appearing, the commission meeting adjourned at 11:00.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary