

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 28, 2014.

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; Records Coordinator Jennifer Renecker; Risk Manager Bob Smith; Director of Operations Michelle Wicks; 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 ten 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 ten 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:

- a. Minutes of the January 14, 2014, regular commission meeting.
- b. Voucher Nos. (dated January 21, 2014) 125595 through 125673 — \$ 3,422,936.15
(Includes electronic funds transfer payment Nos. 1161-1163.)
- c. Voucher Nos. (dated January 28, 2014) 125674 through 125767 — 764,330.34
(Includes electronic funds transfer payment No. 1164.)

TOTAL \$ 4,187,266.49
- d. Void accounts payable checks for the week ending January 17, 2014 in the total amount of \$7,674.15.
Void accounts payable checks for the week ending January 24, 2014 in the total amount of \$864.28.
Void payroll direct deposit for the week ending January 24, 2014 in the amount of \$1,325.39.

* 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. 1617, which is "Policy and Procedures for Affirmative Action/Equal Opportunity in Hiring and Employment Practices." This resolution updates the current policy and procedures to meet today's definitions and standards and authorizes staff to make future technical changes when required by law.

Mr. Jorgenson moved, motion seconded Ms. Gott, to adopt Resolution No. 1617, "Policy and Procedures for Affirmative Action/Equal Opportunity in Hiring and Employment Practices." MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mr. Samuelson reported that Energy Northwest priced Nine Canyon refunding bonds on January 8, 2014. This means a savings of approximately \$450,000 per year to participants which equates to a savings of nearly \$13,500 per year to PUD 3 and about \$108,000 over the term of the bonds.

Mr. Samuelson went over the Power Situation Statement for December 2013 with commissioners. He pointed out that while there only 7.1 percent increase in the amount of electricity purchased from the Bonneville Power Administration over the previous year, the cost increased 17.7 percent from 2012 to 2013. MWh of electricity at a cost of \$25,792,039 million.

Mr. Samuelson then presented commissioners with the power situation statement for December, 2013. During the month of December, PUD 3 purchased 81,820 megawatt-hours (MWh) of electricity compared to 76,048 MWh in December of 2012 which is 7.1 percent increase. However, the cost for purchased power during the month of December 2013 was 3.2 million compared to 2.6 million in December of 2012 which was a 17.7 percent increase. Mr. Samuelson said that a large portion of that increase is due to the demand charges. He explained that the demand charges can vary widely, making the cost of purchased power difficult to predict.

For year-end 2013, PUD 3 purchased 698,964 MWh of electricity through December 31, 2013 to serve local customers' energy needs. That is compared to 700,136 MWh of electricity purchased for the year of 2012, which is a decrease of 0.2 percent. The report also showed that PUD 3 paid \$25.8 million during 2013 on wholesale energy purchases, compared to \$24.8 million for the same period in 2012; an increase of 3.8 percent.

Mr. Samuelson reported his attendance at an Integrated Program Review meeting with the Bonneville Power Administration (BPA) leading up to the next 2016-2017 rate case. He said the meeting was heavily attended with pressure on BPA to keep costs down. The BPA is predicting a 10.6 – 11.1 percent increase in the cost of wholesale electricity for that rate period and an increase in transmission charges of approximately 9.7 percent. The official numbers will be revealed in the fall of 2014.

At Mrs. Creekpau's request, Mr. Myer updated commissioners on legislative bills that may affect the utility. He will continue to watch and provide updates as necessary.

Mrs. Creekpau informed commissioners that Mr. Myer and Mr. Holzgrove have partnered with the Shelton Mason County Journal to provide with a monthly advice column on energy conservation issues. The column is called *Powerful Advice*.

Mrs. Creekpau reported that the Northwest Public Power Association Executive Director Will Lutgen has announced his retirement. Mrs. Wicks has been asked to participate on the selection committee for his replacement.

Mrs. Creekpau also informed commissioners that BPA has announced that Elliot Mainzer, who has been serving as Acting Administrator since July of 2013 was officially named Administrator this month.

Mrs. Creekpau reported on the year-end new service connects for 2013. She stated that there were 159 new permanent residential connects compared to 135 in 2012 and overall connections for 2013 were 1,176. Mrs. Creekpau noted that most of the new connections were located in the Pioneer substation service territory.

At Mrs. Creekpau's request, Mrs. Eaton reported on the Education Committees plans to give a presentation at Hood Canal School to their Mad Scientist's Club. She said that PUD 3's Professor Energy and Circuit Girl would teach kids about electrical circuits and how to be safe around electricity.

COMMISSION REPORT

Ms. Gott reported her attendance the Washington Public Utility Districts Association (WPUDA) meetings in Olympia.

Ms. Gott shared that she attended meetings for the Energy Northwest in Corvallis, Oregon. She explained that the meetings included a tour of the NuScale Power offices on the Hewlett-Packard campus as they are working on a new type of small modular nuclear reactor design developed at Oregon State University with a grant from Department of Energy. In addition she was able to see a mock-up of the small modular reactor and the testing equipment at the Oregon State University campus with the nuclear engineering students. Ms. Gott also pointed out that there will be two elections at Energy Northwest in April.

Mr. Farmer reported his attendance at the Tahuya Community Association. He also attended the WPUDA commissioner education roundtable and legislation reception. Mr. Farmer also reported his attendance to the Shelton Mason County Chamber of Commerce awards gala.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting recessed at 10:30 a.m. for a short break, and reconvened at 10:35 a.m.

The commissioners then adjourned then met in executive session for 10 minutes to discuss potential litigation. No action would follow the executive session.

At 10:43 the executive session adjourned at 10:48 a.m. and the regular meeting reconvened.

With no further business appearing, the commission meeting adjourned at 10:49.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary