

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, February 11, 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; Operations Assistant/Environmental Technician Jason Danforth; Conservation Manager Justin Holzgrove; Network Systems Supervisor Joel Moore; 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 with the addition of an executive session to be held as item 13, in accordance with RCW 42.30.110(1)(g) for the purpose of reviewing the performance of a public employee. The executive session is expected to last for an estimated ten minutes with no 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 January 28, 2014, regular commission meeting. | | | |
| b. Voucher Nos. (dated February 4, 2014) 125768 through 125828 | — | \$ | 327,131.83 |
| (Includes electronic funds transfer payment Nos. 1165-1168.) | | | |
| c. Voucher Nos. (dated February 11, 2014) 125829 through 125932 | — | | 875,827.80 |
| (Includes electronic funds transfer payment Nos. 1169-1186.) | | | |
| | | TOTAL \$ | 1,202,959.63 |

* 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. 1618, which is “Revision to Service Rules and Regulations – Schedule 50 Definition for New and Expanded Large Load (NELL).” This resolution reduces the threshold from loads of 2 average megawatts to 1 average megawatt. In addition it reduces the level for peak megawatts from 4 average megawatts to 2 average megawatts.

Mrs. Creekpaum explained that after further analysis, the District concluded that the lower threshold more closely aligns with the Bonneville Power Administration (BPA) power sales contract. While customers who fall under this schedule will be assessed on a case by case basis, having a lower threshold will better protect the district.

Mr. Jorgenson moved, motion seconded Ms. Gott, to adopt Resolution No. 1618, a “Revision to Service Rules and Regulations – Schedule 50 Definition for New and Expanded Large Load (NELL).” MOTION PASSED UNANIMOUSLY.

A recommendation to authorize the purchase two ALTEC Model AM55E Aerial Man Lifts was then brought before the commission. The new vehicles are scheduled to replace older trucks that have reached the end of their normal life cycle. Each truck will have a tandem axel to handle a heavier load as well as all the required safety related equipment. It was proposed to purchase the vehicles off of the National Joint Powers Alliance (NJPA) contract. The NJPA interlocal agreement was previously approved by the commission in October of 2013. Cost of each truck is estimated at \$288,726 plus taxes and licensing.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to authorize the purchase of two Altec Model AM55E Aerial Man Lifts. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reviewed the status of the budget as of January 31, 2014, with the commissioners. Month-end receipts were \$6,444,939, while expenditures were \$6,073,511 leaving the month with a positive budget balance of \$371,428.

Mr. Taylor gave the treasurer's report of funds through January 2014. The total of all funds at month-end were \$35,265,234.95. Mr. Taylor pointed out that one of the Government Securities issuers exercised an option to buy back on January 30, 2014. The District reinvested the funds into another Government Security with a higher interest rate of 1.21 percent compared to .65 percent it was earning originally.

Mr. Samuelson reported that he received notice from the BPA that PUD 3 is eligible to retain its Tier 1 provisional high water amount. Since the Regional Dialogue Contracts were signed in 2008, but Contract High Water Marks (CHWM's) were set in 2010, utilities that experienced load loss due to the economic downturn and conservation efforts between 2008 and 2010 were allowed to add the lost load amounts to their CHWM for the first rate period. If a utility grew back into that provisional (lost load) amount by BPA fiscal year 2014, then they are eligible to retain that amount for the entire term of the contract. Although it still needs to go through the formal public process at the BPA, he expects that PUD 3 will retain the provisional amount and will likely see a credit for some demand charges dating back to the start of the contract.

Mr. Samuelson informed the commission that he was copied on a letter from the North American Electric Reliability Corporation (NERC) addressed to the Western Electric Coordinating Council (WECC), remanding PUD 3's appeal of WECC's finding (that the District should not be de-registered) back to WECC for further consideration. NERC advised the regional agency to consider two factors in their decision: First, the order by the Federal Energy Regulatory Commission (FERC) to deregister the Southern Louisiana Electric Cooperative Association (SLECA) which is similar to PUD 3; and second, the revised definition of the bulk electric system which will go into effect on July 1, 2014. Mr. Samuelson explained that WECC has ten days to request more information from PUD 3 if necessary, and must submit a response to NERC by March 7, 2014. Mr. Samuelson feels optimistic about the potential for deregistration from the Compliance Registry for the National Reliability Standards.

Mr. Samuelson reported that the BPA is beginning a public process to consider abandoning its long-standing uniform transmission rate setting approach, and move to a new transmission segmentation cost allocation. He explained that if approved, the BPA could re-adjust its transmission rates based on use and geographic location. This action was prompted by a few of the larger utilities. He shared that the Western Public Agencies Group (WPAG) submitted comments to the BPA and PUD 3 also submitted comments expressing concerns about changing its current method. PUD 3 feels that the current transmission rate setting approach is the most equitable way to distribute costs and benefits and is consistent with the intent of the Northwest Power Act.

At Mrs. Creekpau's request, Mr. Myer updated commissioners on legislative bills that may affect the utility. He shared that several of the bills he has been watching have made the deadline to get out of committee. He will continue to update the commission as the legislature progresses.

At Mrs. Creekpau's request, Mr. Johnson updated the commission on a lawsuit in which PUD 3 was named. It related to an easement at Lake Cushman. Originally PUD 3 sought to release its interest in the easement have the lawsuit dismissed. When the plaintiff's attorney refused, Mr. Johnson filed a motion for summary judgment. The judge granted the summary judgment and PUD 3 was released from the lawsuit.

Mrs. Creekpau reported on the engineering applications for new service connections for January of 2014. She explained that there were 50 more applications than last year. Approximately twenty of those were for altered service for things such as ductless heat pump installations and a handful of light industrial lighting upgrades. The other thirty were for miscellaneous yard lights and pole maintenance, etc.

Mrs. Creekpau showed the new bill format and informed commissioners that Infosend has begun its mailing of the new bills to customers at the beginning of February.

At Mrs. Creekpau's request, Mr. Myer reported on the PUD employees Seahawks Challenge. He said that nearly a quarter of PUD's employees participated and made a personal contributions for every touchdown the Seahawks made during the Superbowl. Collectively the group committed to purchase a community flower basket for the Shelton Mason County Chamber beautification committee for every touchdown. Each basket costs approximately \$200, and with five touchdowns scored, the group of employees donated a total of \$1,130 to the chamber.

At Mrs. Creekpau's request, Mr. Myer reported on the Federal Columbia River Power System Biological Opinion. He said that the report showed there are more salmon and steelhead now than when the dams were originally built. This shows that improvements at the federal dams on the Columbia and Snake rivers are benefitting the 13 species of salmon and steelhead that were considered endangered. He pointed out that the Bonneville Power Administration (BPA) has spent nearly one billion dollars on fish and wildlife recovery. Approximately one third of PUD 3's wholesale power costs go towards these efforts.

COMMISSION REPORT

Ms. Gott reported that she will be testifying at hearing for the House Local Government Affairs committee meeting next Thursday. She will be joining Greg Marny from NoaNet to speak about what PUD's have done with telecommunication efforts for their communities and the benefits of the partnership with NoaNet.

Mr. Farmer reported his attendance at the Public Power Council in Portland. He also noted his attendance at the North Mason Chamber of Commerce Gala at Alderbrook Resort.

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 10:45 the executive session adjourned and the regular meeting reconvened.

With no further business appearing, the commission meeting adjourned at 10:45.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary