

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, March 25, 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 Rob Johnson.

The following PUD 3 personnel were present: Customer Service Manager Diane Hennessy; Director of Business Services John Bennett; Conservation Manager Justin Holzgrove; Public Information/Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; Power Supply Manager Matt Samuelson; 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.

CONSENT AGENDA

Mr. Farmer 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 March 11, 2014, regular commission meeting. | | | | |
| b. Voucher Nos. (dated March 18, 2014) | 126377 through 126472 | — \$ | 3,293,126.07 | |
| (Includes electronic funds transfer payment Nos. 1216-1218.) | | | | |
| c. Voucher Nos. (dated March 25, 2014) | 126473 through 126602 | — | 996,850.78 | |
| (Includes electronic funds transfer payment Nos. 1219-1225.) | | | | |
| | | TOTAL \$ | 4,289,976.85 | |

* 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 noted that no members of the public were in attendance.

STAFF REPORTS

Mr. Samuelson reviewed the power situation statement for February 2014 with commissioners. He pointed out that in February of 2014 PUD 3 purchased 70,411 MWh of electricity, to serve customers' energy needs, which is an increase of 6.7 percent over February's total in 2013. He also noted that the wholesale cost of that purchased power was \$3.2 million, compared to \$2.6 million during February of 2013, an increase of 17.1 percent. A large portion of that increase is attributed to load shaping and demand charges as there was a cold spell during the month of February. Mr. Samuelson also reported that the cost to comply with the Energy Independence Act is approximately 2.5 percent of the total purchased power cost due to the higher price of renewable energy or renewable energy credits. He expects this cost to go up during the spring when wind generation increases.

At Mrs. Creekpaum's request, Mr. Myer updated commissioners on congressional actions related to the Columbia River Treaty and the outcome of legislative bills that may or may not have made it into laws.

Mrs. Creekpaum updated commission on the progress of deregistration from the Western Electricity Coordinating Council (WECC) reliability standards reporting requirements. She explained that even though it appears PUD 3 will be deregistered from the reporting requirements, it will still have to pay the associated fees which appear on the Bonneville Power Administration (BPA) bills. She explained that the BPA previously decoupled the fees on wholesale bills, however those fees are for the BPA's portion owed to WECC, and are just being passed along to its customers.

Mrs. Creekpaum reported on the progress of the emergency Cushman underground replacement work. She said the utility has energized the nearly two-mile section of replaced cable and is finishing up with restoration work. The job required many tons of rock due to record rainfalls and standing water. Crews are waiting for additional

equipment to come in to finish the final leg (approximately 200 feet) of the job. Engineering is also considering additional work in the Cushman area and is working on estimates at this time.

Mrs. Creekpaum updated the commission on the Light Emitting Diode (LED) streetlight replacement project that was completed on Northcliff Rd. She explained that staff is testing and evaluating the performance and light quality before ordering additional lights for other areas.

Mrs. Creekpaum mentioned that the American Public Power Association (APPA) will be announcing the RP3 reliability standards awards on April 7. She is optimistic that PUD 3 will receive the prestigious national award.

At Mrs. Creekpaum's request Mrs. Eaton reported on the PUD's education committee's activities at the Shelton Skookum Rotary's annual science fair. The group put on a public education presentation about safety around electricity, the science of circuits and how power is generated, during the awards ceremony. In addition, the traditional PUD 3 science awards were given to the top three students with energy related projects.

At Mrs. Creekpaum's request Mrs. Speaks reported that the State Auditor's office performed its exit conference with staff on the renewable portion of the Energy Independence Act. She said PUD 3 received a clean report. The data to support the renewable target is audited every year, while the conservation target is audited every two years. She explained that the conservation target will also receive its audit this year as well.

COMMISSION REPORT

Ms. Gott reported that she was absent from the March 11 meeting due to attending the American Public Power Association (APPA) Legislative Rally in Washington DC. She attended her first meeting of the Policy Makers Council since she was selected for that committee.

Ms. Gott gave an update on NoaNet's financial plans. She explained that the organization is looking at options to fund capital improvements. One option is the standard practice of member utilities offering guarantees on lines of credit. Another option NoaNet is proposing is for member utilities to loan the money from reserves to NoaNet at a higher interest rate than utilities can get from investments. So far, six of the eleven members has expressed an interest in doing that.

Ms. Gott also reported on her attendance at Energy Northwest meetings in Richland, WA.

Mr. Jorgenson reported on his attendance at the Washington Public Utility Districts Association (WPUDA) and explained that with the addition of electrical services to Jefferson PUD, the dues structure would need to be modified – resulting in a reduction to Mason PUD 3.

Mr. Farmer also reported on his attendance at the WPUDA meetings and expressed his appreciation for Ms. Gott's travels and representation of PUD 3 at her various meetings.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting adjourned at 10:27.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary