

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, April 8, 2014.

District officers present were: Commissioners Thomas J. Farmer, Linda R. Gott, and Bruce E. Jorgenson; Manager Annette Creekspaum; Finance Manager/Auditor Sherry Speaks; Treasurer Brian Taylor; and Attorney Rob Johnson.

The following PUD 3 personnel were present: Distribution Engineer Mark DiBenedetto; Customer Service Manager Diane Hennessy; Conservation Manager Justin Holzgrove; Telecommunications Manager Dale Knutson; Network Systems Supervisor Joel Moore; Public Information/Government Relations Manager Joel Myer; Records Coordinator Jennifer Renecker; Power Supply Manager Matt Samuelson; 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 under item 13 of the agenda. It will be held to discuss potential litigation with legal counsel as authorized under RCW 42.30.110(1)(i). The executive session will last 10 minutes, and no action will be taken following.

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. With a correction to the commission meeting minutes as shown below, the MOTION PASSED UNANIMOUSLY.

“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.”

By adopting the consent agenda, the following items were approved:

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| a. Minutes of the March 25, 2014, regular commission meeting. | | | |
| b. Voucher Nos. (dated April 1, 2014) | 126603 through 126749 | — \$ | 496,107.97 |
| | (Includes electronic funds transfer payment Nos. 1226-1227.) | | |
| c. Voucher Nos. (dated April 7, 2014) | 126750 through 126849 | — | 406,293.88 |
| | (Includes electronic funds transfer payment Nos. 1228-1243.) | | |
| | | TOTAL \$ | 902,401.85 |
| d. Void accounts payable checks for the week ending April 4, 2014, in the total amount of \$1,500.00. | | | |

* 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

Mrs. Speaks reviewed the status of the budget as of March 31, 2014, with the commissioners. Month-end receipts were \$5,937,186, which is approximately 28 percent of the total budget, while expenditures were \$6,214,204 and approximately 29 percent of budget. She explained that the higher than expected expenditures were due to a combination of high demand charges from the Bonneville Power Administration (BPA) and the timing of some conservation projects. Mrs. Speaks conveyed that the demand charges were high due to the cold weather and that cost is not recovered from residential customers as they do not pay demand charges. She also noted that the conservation expenditures were high as customers were hurrying to complete some conservation measures such as the ductless heat pump program and others before the incentives were reduced or the program(s) discontinued.

Mr. Taylor gave the treasurer’s report of funds through March 2014. The total of all funds at month-end were \$36,097,181.41 which an increase of \$426,500.41 over the previous month.

Mr. Samuelson reported that the BPA issued its final record of decision on the oversupply management rate case which is related to balancing the generation power during high wind and high water situations. He said the decision was to pay the wind farm operators with a combination of cash as well as free federal power in order to curtail wind production during these circumstances so that BPA can continue to run hydroelectricity generation. In addition, Mr. Samuelson added that approximately 80 percent of the costs for this agreement will be allocated to preference customers such as PUD 3. He estimates that to date, PUD 3's share of the payout is approximately \$23,000.

At Mrs. Creekpaum's request, Mr. Myer gave a final report on legislative issues as the session is now complete.

Mrs. Creekpaum announced that PUD 3 has been named a diamond level utility in this year's Reliable Public Power Provider (RP3) Program, a distinction determined by the American Public Power Association (APPA). She exclaimed that the diamond level is the highest level of achievement and that the RP3 award program recognizes PUD 3 for providing its customers with the highest degree of reliable and safe electric service. Mrs. Creekpaum also noted that APPA staff said the 2014 award winners "stand out as models of safe, reliable and forward-thinking utility operations." The PUD is the only diamond level utility in Washington State.

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 outage that occurred on March 28 that affected the Kamilche and Lynch Road areas. Mr. Myer and Mr. Holzgrove created a video for customers to be posted on the website and other social media that explained how the outage occurred and what happens behind the scenes to restore electricity to our customers.

Mrs. Creekpaum asked the commissioners to allow employees to make contributions to those affected by the Oso landslide in Snohomish County by donating the financial value of their "personal time off" or cash donations through payroll deduction.

Ms. Gott moved, motion seconded by Mr. Jorgenson, to allow employees to donate the value of their personal time off or make cash donations through payroll deduction to the relief efforts in Oso. MOTION PASSED UNANIMOUSLY.

Mrs. Creekpaum announced that NoaNet is asking member utilities to consider a line of credit investment opportunity. She explained that if interested, PUD 3 could specify an amount of money to be invested from its reserves when needed by NoaNet. This would be at a better rate of return than the utility is currently earning and would offset the amount of NoaNet's line of credit which is normally secured proportionally by each member utility including PUD 3. She expressed that NoaNet would need some indication of each utility's intention prior to its next board meeting.

Ms. Gott concurred with Mrs. Creekpaum and added that if PUD 3 decided in favor of the investment opportunity, NoaNet would not draw on the amount reserved until needed. She also noted that it would be a low-risk investment as NoaNet has always made payments on its line of credits and is in a very good financial position.

After a brief discussion, Ms. Gott moved, motion seconded by Mr. Farmer, to express an interest of investing in a line of credit with NoaNet up to \$500,000. After additional discussion, the MOTION PASSED with Mr. Jorgenson voting no.

COMMISSION REPORT

Ms. Gott reported that she attended the Public Power Council member forum.

Mr. Farmer also reported on his attendance at the Public Power Council member forum.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting recessed at 10:38 a.m. for a short break, and reconvened at 10:43 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 10:53 the executive session adjourned and it was announced that the commissioners would continue in executive session for an addition 10 minutes.

The executive session adjourned at 11:03 and the regular meeting reconvened. With no further business appearing, the commission meeting adjourned at 11:03.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary