

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, June 24, 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 Rob Johnson.

The following PUD 3 personnel were present: Director of Business Services John Bennett; Operations Assistant/Environmental Technician Jason Danforth; Conservation Manager Justin Holzgrove; Telecommunications Manager Dale Knutson; Public Information/Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; Power Supply Manager Matt Samuelson; Risk Manager Bob Smith; Director of Business Operations Michelle Wicks; and Executive Assistant/Records Program Supervisor Lynn Eaton (recorded minutes).

Members of the public in attendance were Dedrick Allan of *Mason WebTV*, Jay Himlie of Shelton, and Bruce Welch.

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 Ms. Gott, to adopt the consent agenda. MOTION PASSED UNANIMOUSLY. By adopting the consent agenda, the following items were approved:

- a. Minutes of the June 10, 2014, regular commission meeting.
 - b. Voucher Nos. (dated June 17, 2014) 127681 through 127774 — \$ 1,707,431.34
(Includes electronic funds transfer payment Nos. 1309-1314.)
 - c. Voucher Nos. (dated June 24, 2014) 127775 through 127877 — 900,612.42
(Includes electronic funds transfer payment Nos. 1315-1319.)
- TOTAL \$ 2,608,043.76
- d. Void accounts payable checks for the week ending June 13, 2014 in the total amount of \$5,396.24.
Void accounts payable check for the week ending June 20, 2014, in the total amount of \$150.00.
 - e. Write off closed, uncollectible, deceased no assets \$1,269.48 and discharged bankruptcy \$341.69
accounts for the total amount of \$1,611.17.

* 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 welcomed those present and asked for public comments at this time.

ACTION ITEMS

Resolution No. 1622 was brought before the commission. It is "A Resolution Declaring Vehicles Surplus." Mrs. Creekpau explained the process for disposing of surplus vehicles.

Ms. Gott moved, motion seconded by Mr. Jorgenson to adopt Resolution No. 1622, "A Resolution Declaring Vehicles Surplus." MOTION PASSED UNANIMOUSLY.

Resolution No. 1623 was then brought before the commission. It is "A Resolution Declaring General Plant Items Surplus."

Mr. Jorgenson moved, motion seconded by Ms. Gott to adopt Resolution No. 1623, "A Resolution Declaring General Plant Items Surplus." MOTION PASSED UNANIMOUSLY.

Recommendation was then made to adopt Resolution No. 1624, which is "A Resolution Authorizing the Execution and Approval of a Seventh Repayment Agreement Relating to a Line of Credit for Northwest Open Access Network (NoaNet)." Mrs. Creekpau shared the history of PUD 3's commitment to guarantee previous lines of credit for NoaNet and its current debt position. She explained that NoaNet has a current net equity worth of approximately \$99 million. She advised the commission that PUD 3's interest in NoaNet stands at 15.11

percent since Grant County PUD decided to relinquish its membership. Prior to Grant's decision, PUD 3's interest stood at 12.51 percent.

Ms. Gott moved, motion seconded by Mr. Farmer to adopt Resolution No. 1624, "A Resolution Authorizing the Execution and Approval of a Seventh Repayment Agreement Relating to a Line of Credit for Northwest Open Access Network (NoaNet)."

Mr. Jorgenson expressed his concern with the increase in PUD 3's percentage interest in NoaNet. He stated that PUD 3's interest has grown from its original investment and now is the third highest among NoaNet members. He stated his opposition to this motion.

Ms. Gott stated that NoaNet has substantially increased its financial position over the years and has made every payment on all previous lines of credit. She explained that NoaNet only considers a line of credit when it has new business and that every new venture is put through a thorough analysis before going forward. She reiterated her support of this decision.

Mr. Farmer added that with NoaNet's net worth of approximately \$99 million and PUD 3's guarantee not to exceed \$1.2 million, he is not concerned. He noted that the service NoaNet provides to the community is outstanding and the benefit to connect public utilities around the state of Washington is powerful. He emphasized that NoaNet has been well vetted by banks and other utilities and confirmed his support of this decision.

With no further discussion, the MOTION PASSED with Mr. Jorgenson voting no.

STAFF REPORTS

Mr. Samuelson went over the Power Situation Statement for May 2014 with commissioners. He pointed out that 5.7 percent less power was purchased from the Bonneville Power Administration (BPA) over May of the previous year, at a cost 11.6 percent more. He explained that this is due to the increase in Tier 1 costs and load shaping costs since it is a new rate period with the BPA. He noted that the year to date purchased power was 4.2 percent less than the same period in 2013, which corresponds with the heating degree days being 4 percent warmer over last year. He reported that the cost of compliance with the Energy Independence Act (EIA) is 3.8 percent of total purchased power year to date.

Mr. Samuelson updated commissioners on the continuing litigation regarding the BPA's Residential Exchange Agreement. As the preference customers challenged the agreement and prevailed in the United States Court of Appeals 9th Circuit, it was remanded to the BPA to determine the overpayment amounts and issue refunds to preference customers. PUD 3 was estimated to receive approximately \$985,000 per year through the year 2019. In 2007, PUD 3 as part of the Washington Public Agencies Group (WPAG) challenged the calculation. However in 2012, the BPA offered a settlement agreement which many of its customers signed but the PUD 3 and some others chose not to sign the agreement in order to preserve the right to challenge the calculation. In the meantime, a group of nine industrial companies that purchase power from public agencies but are not direct customers of the BPA called the Association of Public Agency Customers (APAC) challenged the BPA's settlement agreement, however the 9th circuit rejected its claims upholding the settlement. Mr. Samuelson explained that this ruling opens up the opportunity for WPAG to move forward with its challenge of the original calculation. If WPAG were to prevail in the 9th Circuit, the refund amount could mean approximately \$6 million to Mason PUD 3.

Mr. Samuelson reported that PUD 3 has submitted its application for the Low Density Discount with the Bonneville Power Administration. He explained that the PUD is still under the threshold for customers per line mile but staff is working on an analysis to project how long the utility could expect to continue to receive the benefit and what the financial impact will be once it doesn't.

Mrs. Creekpaum reported that the Washington State Auditor's Office conducted its exit interview with staff. She was proud to report that the District received a clean audit and that this year marks 35 years without an audit finding.

At Mrs. Creekpaum's request, Mr. Peterson updated commissioners on the State Route 3 road-widening project.

Mrs. Creekpaum informed the commission of the year to date engineering statistics of new service applications, noting 156 more applications than the same period last year.

Mrs. Creekpaum recommended approval of a new bank card policy. The new policy would draft a customer's funds from their account 10 days after a bill date if they are enrolled in automatic payments by bank card. This is extended from the previous policy of 7 days. The change is due to the new billing and mailing procedures. She explained that under the current policy, there is a potential for a customer to be charged the same day the bill is received in the mail.

Mr. Farmer moved, motion seconded by Ms. Gott to approve the revised “Bill Paying via Bankcard Policy.”
MOTION PASSED UNANIMOUSLY.

Mrs. Creekpaum informed the commission that the PUD participated in the State of the Community held at the hospital hosted by the Economic Development Council and the Shelton Mason County Chamber of Commerce.

Mrs. Creekpaum reported that Mr. Myer and Mr. Holzgrove would be interviewed on the local radio station KMAS on Thursday to talk about the Light Emitting Diode (LED) streetlight program.

At Mrs. Creekpaum’s request Mr. Knutson informed commissioners that the Northwest Open Access Network (NoaNet) has issued an amendment to its wholesale rate agreement. The amendment significantly lowers the wholesale rates (over 80 percent) retroactively to June 1, 2014, in an effort to compete with metro markets. The savings will be passed on to retailers and in turn to end-use customers allowing the potential for better service for less money.

COMMISSIONER’S REPORTS

Ms. Gott reported her attendance at the American Public Power Association conference and expo and her plans to attend the Energy Northwest executive board meetings in Portland.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting adjourned at 10:34.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary