

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, October 14, 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: Customer Service Manager Diane Hennessy; Records Coordinator Jennifer Renecker; Director of Business Services John Bennett; Public Information and Government Relations Manager Joel Myer; Power Supply Manager Matt Samuelson; Director of Engineering Terry Peterson; Risk Manager Bob Smith; Director of Business Operations Michelle Wicks; and Executive Assistant/Records 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 an executive session was scheduled for the purposes of item(s) 42.30.110(1)(i) to discuss with legal counsel threatened litigation and 42.30.110(1)(i) to discuss with legal counsel the legal risks of a current practice and 42.30.110(1)(c) to consider the minimum price at which real estate will be offered for sale or lease. The estimated time is twenty 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 September 23, 2014, public hearing and regular commission meeting.
 - b. Voucher Nos. (dated September 30, 2014) 129102 through 129202 — \$ 578,442.62
(Includes electronic funds transfer payment Nos. 1404-1409.)
 - c. Voucher Nos. (dated October 7, 2014) 129203 through 129330 — \$ 516,891.16
(Includes electronic funds transfer payment Nos. 1410-1418.)
 - d. Voucher Nos. (dated October 14, 2014) 129331 through 129442 — \$ 2,180,100.75
(Includes electronic funds transfer payment Nos. 1419-1424.)
- TOTAL \$ 3,275,434.53
- e. Voided checks in the total amount of \$3,385.26 for the week ending September 26, 2014.

* 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.

ACTION ITEMS

A recommendation was made to adopt Resolution No. 1630, which is a resolution “Declaring Distribution System Items Surplus (PCB and Non-PCB Contaminated).”

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1630, “Declaring Distribution System Items Surplus (PCB and Non-PCB Contaminated).” MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reviewed the status of the budget as of September 30, 2014, with the commissioners. Month-end receipts were \$4.5 million which is approximately 73 percent of the total budget, while expenditures were \$4.4 million is approximately 71 percent of budget, leaving a positive budget balance of \$56,391. Mrs. Speaks noted that the utility is on-track for a balanced budget by year end.

Mr. Taylor gave the treasurer’s report of funds through September 2014. The opening cash balance was \$3.7 million and was \$3.4 million at month’s end. The utility’s investments totaled at \$12.2 million as of September 30, 2014. The total of all funds at month-end were \$36,130,667.45 which is an increase of \$196,254.20 over the previous month.

Mr. Samuelson reported that due to increased spill of water for fish and Canadian hydroelectric operations, electricity production at Columbia River Basin dams has gone down. However, the Bonneville Power Administration (BPA) has changed its estimate regarding the drop in energy production during the next rate period. The decrease is 135.5 average megawatts, rather than the original estimate of 173 average megawatts.

Combined with the current rate period reduction of 76 average megawatts, it will mean an overall reduction of PUD 3's share of lower-cost "Tier One," federally generated power of about 2.5 average megawatts. Mr. Samuelson had noted in previous meetings that this might require the purchase of a small percentage of the higher-priced "Tier Two" electricity by October of 2015.

Mr. Samuelson also informed commissioners that Energy Northwest is considering refinancing of bonds used for construction of the third phase of the Nine Canyon Wind Project near the Tri-Cities in south central Washington State. The plan should reduce costs by nearly \$350,000 per year. He estimated it would cut Mason PUD 3's power costs by about \$10,000 annually from this resource.

Mrs. Creekpau updated commissioners on the engineering activities. She reported that year to date, service engineers received 1,015 applications through September compared to 892 applications during the same period in 2013.

Mrs. Creekpau reported on the events of Public Power Week. She expressed that the education committee made improvements to the program over last year and received positive feedback from teachers and participants. She explained that goal of the event is to teach young people the importance of public power and give a message of clean hydroelectricity. She also noted that the displays were designed and built in-house.

Mrs. Creekpau reported on a unilateral revision received from the Bonneville Power Administration to Exhibit F of the Power Sales Agreement, Contract No. 09PB-13068. The purpose of the revision is to allow for scheduling service of PUD 3's dedicated resource, White Creek wind project. It does not require a signature.

At Mrs. Creekpau's request Mr. Myer reported on a joint presentation that will be given to the Economic Development Council and the North Mason Chamber of Commerce, as well as a separate presentation to the Shelton Mason County Chamber of Commerce later in the month. He will be covering several utility happenings, but will be highlighting clean energy challenges in preparation for the upcoming resolution to support modification of the Energy Independence Act (I-937), which was proposed by the Washington Public Utility Districts Association. The resolution supports allowing utilities (during times of low growth) to invest one percent of its revenue requirement under the Act on local conservation or renewable programs, rather than spend it on renewable energy credits (RECs) which are purchased solely for compliance.

Mrs. Creekpau pointed out that the first regular commission meeting of November falls on Veterans Day and she proposed that a special meeting be planned for Monday, November 10th in its place.

Mr. Jorgenson moved, motion seconded by Ms. Gott. MOTION PASSED UNANIMOUSLY.

COMMISSIONER'S REPORTS

Ms. Gott reported her attendance at the Energy Northwest Executive Board meetings in September where the board heard a proposal from the BPA regarding conservation funding. She also reported attending a safety demonstration at the Columbia Generating Station.

Ms. Gott reported that she attended the Public Power Council meetings in Portland on October 2nd and 3rd.

Mr. Farmer reported his attendance to the Public Power Week open house last week and expressed that it was a positive educational experience for our community and was a good opportunity to tell the whole story of clean energy.

GOOD OF THE ORDER

Following the calendar review, and with no further business appearing, the commission meeting adjourned at 10:24 a.m.

Thomas J. Farmer, President

ATTEST:

Bruce E. Jorgenson, Vice President

Linda R. Gott, Secretary