President Farmer called the public hearing on the proposed electric rates increases to order at 10:00 a.m. The hearings and regular meeting were held in the PUD 3 auditorium (Skookum Room) at 2621 E. Johns Prairie Road in Shelton, Washington, on Tuesday, September 08, 2015.

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: Director of Business Services John Bennett; Customer Service Manager Diane Hennessy; Public Information & Government Relations Manager Joel Myer; Director of Engineering Terry Peterson; Records Coordinator Jennifer Renecker; Power Supply Manager Matt Samuelson; Risk Manager Bob Smith; Director of Business Operations Manager Michelle Wicks; and Executive Assistant / Records Supervisor Lynn Eaton (recorded minutes).

There were no members of the public present.

PUBLIC HEARING – PROPOSED RATES

Proposed Electric Rates

Mr. Farmer stated that the public hearing is to receive comments on the proposed electric rate increases. The increases are part of the overall financial plan for the utility.

The schedule and amount of rate increases being considered by the PUD include: 1) a four percent rate increase for energy consumption and a ten cent per day increase in the daily system charge beginning with the October 1, 2015, meter readings; 2) a four percent rate increase for energy consumption and a ten cent per day increase in the daily customer charge effective with the October 1, 2016 meter readings.

Mr. Samuelson explained that the driving factors behind the consideration of rate increases are due to the financial impacts of the following:

- Increased rates in wholesale power of 7.1 % and 4.4 % increase in transmission services from the Bonneville Power Administration (BPA) effective October 1, 2015;
- The requirement under the Washington State Energy Independence Act to increase the percentage of more expensive renewable resources from 3% to 9% beginning January 1, 2016;
- The change in BPA’s billing determinants which negatively impacts PUD 3 due to its heavy residential load;
- Continued investment in PUD 3 infrastructure for system reliability improvements and standards; and
- Overall increase cost of goods and services.

Mrs. Creekpaum informed the commissioners that since 2008 the BPA has increased rates a total of 29 percent while PUD 3’s increases were at 22 percent for the same period of time. Commissioners were provided with copies of all rate schedules with the proposed changes.

Mrs. Speaks went over the details of the proposed rate increase with the commission. She explained that a four percent increase in the kilowatt per hour charge as well as a ten cent per day increase in the system charge was proposed for schedules 12, 20, 21, 24, 61. Bringing the residential (schedule 12) energy rate to: $0.0699 per kWh and the system charge to $1.00 per day, effective with meter readings on and after October 1, 2015; and $0.0727 per kWh and the system charge to $1.10 per day, effective with meter readings on and after October 1, 2016.

At the request of Mrs. Creekpaum, Mr. Myer shared with the commissioners a chart comparing neighboring utility rates. The map indicates that PUD 3’s energy rates are in the lower quadrant of comparable utilities in the region. All but one of the utilities listed, purchases nearly all of their power from Bonneville Power Administration.

At Mrs. Creekpaum’s request, Mrs. Hennessy shared with the commission steps the utility has taken to minimize the impact on low income customers. She explained that the utility has made an effort to do outreach to customers through various avenues highlighting the following programs and assistance available:

- Mrs. Hennessy noted that those who qualify for the low-income senior and low-income disabled discounts will have the daily system charge waived;
- She reported that the Shuck and Share 5k is scheduled again this year to benefit the Project Share program;
- In addition, federal energy assistance programs are available through the Community Action Council and a new online appointment feature has been made so that PUD 3 representatives can help customers schedule appointments.
With no public comments forthcoming, commissioners will consider adoption of the proposed rates at the next regular business meeting on September 22, 2015. The public hearing on proposed rates was adjourned at 10:24 a.m., at which time the public hearing for the 2016 proposed budget was called to order by Mr. Farmer.

**PUBLIC HEARING – PROPOSED 2015 BUDGET**

Mr. Farmer stated that the public hearing is to receive comments on the proposed 2016 operating budget.

Mrs. Creekpaum explained that stagnant growth, warm temperatures, and conservation efforts have all had a negative impact on revenues. In addition, she reiterated that the impacts of the Bonneville Power Administration (BPA) increases to the utility’s wholesale power rates effective October 1, 2015 of 7.1 percent in wholesale power and 4.4 percent in transmission services and the increased requirements of renewable energy purchases from 3 percent to 9 percent effective January 1, 2016 are also factors in the budget consideration.

Mrs. Speaks reported that the proposed 2016 budget is at $63.8 million, which is an increase over the 2015 adopted budget at $63.7 million. She explained that due to the reduction in revenues continuously increasing costs, the 2016 budget assumes a rate increase to offset the increase in power costs.

Mrs. Speaks explained that the PUD uses a zero-based budgeting approach, meaning staff starts at zero and builds the budgetary amounts on needs of the utility.

In the proposed 2016 budget anticipates receipts of $45.4 million from the sale of energy and $11.6 million from the daily system charge. Mrs. Speaks outlined the expenditures for 2016 which include: additional funding for conservation to meet targets under the Energy Independence Act; extraordinary capital for upgrades to communications facilities for radios, increased network storage needs. Labor costs see an increase in full time employees for the approved digging crew however this is offset by decrease in normal capital expense; increased retirement and medical costs; and increased purchased power costs as mentioned.

After some discussion, with no public comments forthcoming, Mr. Farmer explained that commissioners will consider adoption of the proposed budget at the next regular business meeting on September 22, 2015. The public hearing was adjourned at 10:32 a.m., at which time the regular meeting was called to order by Mr. Farmer.

**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 August 25, 2015, regular commission meeting.**

**B. Voucher numbers:**

<table>
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<th>Voucher numbers: (dated September 1, 2015)</th>
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<th>Amount</th>
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<tr>
<td>133566 through 133644</td>
<td>83,790.64</td>
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<tr>
<td>*Voucher numbers: (dated September 8, 2015)</td>
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<tr>
<td>133645 through 133760</td>
<td>874,229.24</td>
<td></td>
</tr>
<tr>
<td>(Includes electronic funds transfer payment Nos. 1692-1693.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Includes electronic funds transfer payment Nos. 1694-1703.)</td>
<td>TOTAL</td>
<td>958,019.88</td>
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</table>

* 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**

Recommendation was made to adopt Resolution No. 1648, “A Resolution Authorizing Revision 4 to Exhibit F. Real Time Scheduling and TCMS Coverage by Resource to Power Sales Agreement.”

Mr. Samuelson explained this is a revision update from BPA to the Full Service Power Sales Contract No. 09PB-13068, for “Real Time Scheduling” as a result of the wind generators’ elections pursuant to the Generation Inputs and Transmission Settlement Agreement and updates section 4.3.6 “TCMS Coverage by Resources,” to reflect changes to PUD 3’s dedicated resources.

Mr. Farmer moved, motion seconded by Ms. Gott to adopt Resolution No. 1648, “A Resolution Authorizing Revision 4 to Exhibit F. Real Time Scheduling and TCMS Coverage by Resource to Power Sales Agreement.” MOTION PASSED UNANIMOUSLY.
Recommendation was then made to authorize an Interlocal Agreement with the City of Shelton for the LED Reader Board Sign Project.

Mrs. Creekpaum explained that this has been an ongoing effort with the city to replace the current process of hanging community banners. This agreement will provide similar services to the community at a reduced cost with two energy efficient LED reader board signs which the city will own, manage and maintain.

After a brief discussion, Ms. Gott moved, motion seconded by Mr. Jorgenson to “Authorize Interlocal Agreement with the City of Shelton for LED Reader Board Sign Project.” MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reported to the commissioners on the status of the budget as of August 31, 2015. With August representing 67 percent of the year, receipts year to date were 64 percent of budget and expenses year to date were also at 63 percent. The year-to-date expenditures totaled $40.1 million while year to date revenues were at $40.5 million. Mrs. Speaks noted that she anticipates a balanced budget at year end.

Mr. Taylor reviewed the August 2015 treasurer’s report with the commissioners. He pointed out that the total of all funds at the end of August was $34,843,640 which is an increase of $372,686 over July. Operating reserves had an ending balance of 15.5 million dollars. Mr. Taylor noted no changes to investments in treasury for the month of August.

Mrs. Creekpaum reported that District’s received a revision to the Power Sales Contract No. 09PB-13068 Revision 5 to Exhibit D from the Bonneville Power Administration (BPA). This is a unilateral agreement and does not require signatures by either party. The revision simply updates tables listing the planned amounts of energy to be generated by non-federal resources, for which we have requested BPA Resource Support Services.

Mrs. Creekpaum gave an update on the Community Solar project. With the lottery drawing being held on September 17th the registration is already oversubscribed by 2,800 registrants and registration will remain open until September 15.

Mrs. Creekpaum reported that on August 31st six employees were sent to Snohomish PUD to help with power restoration after a devastating summer storm. Through the mutual aid agreement utilities are able to utilize crews from other utilities in emergency situations. The crew and equipment are charged to Snohomish PUD through the mutual aid agreement.

COMMISSIONERS’ REPORT

Ms. Gott reported her attendance at the Energy Northwest executive board and strategic planning meeting held at Skamania lodge. She also noted her attendance at the member forum for Public Power Council last week.

GOOD OF THE ORDER

Following the calendar review and good of the order, with no further business appearing, the commission meeting adjourned at 10:51 a.m.

_______________________________
Thomas J. Farmer, President

_______________________________
Bruce E. Jorgenson, Vice President

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Linda R. Gott, Secretary