

MINUTES OF REGULAR MEETING OF COMMISSIONERS
OF PUBLIC UTILITY DISTRICT NO. 3
OF MASON COUNTY, WASHINGTON

President Gott 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, September 27, 2016.

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; Engineering Services & Community Relations Manager Justin Holzgrove; Telecommunications Manager & Director Dale Knutson; Public Information & Government Relations Manager Joel Myer; Energy Resource Manager Michele Patterson; Director of Engineering Terry Peterson; Records Coordinator Jennifer Renecker; and Administration & Communication Services Manager Lynn Eaton (recorded minutes).

Members of the public in attendance were City of Shelton Commissioner Kathy McDowell and Dedrick Allen of *Mason Web TV*.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented. It was noted that an executive session would be held for the purposes of item 42.30.110(1) (iii) To discuss with legal counsel the legal risks of a proposed action or current practice. The executive session is expected to last approximately 10 minutes, with no action to follow.

CONSENT AGENDA

Ms. Gott 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 September 20, 2016 regular commission meeting. | |
| b. Voucher Nos. (dated September 20, 2016) 138590 through 138666
(Includes electronic funds transfer payment Nos. 4439 - 4443.) | — \$ 352,170.92 |
| c. Voucher Nos. (dated September 27, 2016) 138667 through 138752
(Includes electronic funds transfer payment Nos. 4444 - 4602.) | — <u>\$ 1,097,958.19</u> |
| | TOTAL \$ 1,450,129.11 |

* 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.

PUBLIC COMMENT

Ms. Gott welcomed those in attendance and stated that comments would be accepted throughout the meeting.

STAFF REPORTS

Mrs. Speaks reported to the commissioners on the status of the budget as of August 31, 2016. Month-end receipts were \$5.4 million, while expenditures were \$5.2 million. Expenditures year to date were \$41.9 million, or 65 percent of the adopted 2016 budget. Receipts year to date were \$43.5 million, or 68 percent of the adopted 2016 budget finishing the month with a positive budget balance of \$1.6 million.

Mr. Taylor gave the treasure's report of funds through August 2016. The total of all funds at month-end were \$33,655,133.27. Outstanding warrants for the month of August were \$227,334.30. Mr. Taylor pointed out the activity that reflects the refunding of the 2008 bonds as well as the movement of investments which had reached maturity and were reinvested.

Mrs. Creekpaum gave an update on the implementation of NISC software, noting that the training for the Outage Management System (OMS) happened last week and the team was going live with that portion of the software this week.

Mrs. Creekpaum noted that the Grid Modernization project is progressing. She reported that 4,115 meters, which equates to approximately 10 meter reading routes, have been installed. She also reported that foundations were being completed at all three towers.

At Mrs. Creekpaum's request, Mr. Myer announced that Mason PUD 3 received five Excellence in Communications awards at the Northwest Public Power Association conference. The utility received 1st place among utilities its size for photography, 1st place for website, and 2nd and 3rd place awards for social media, annual report, and special publications.

Mrs. Creekpaum informed the commission that the Bonneville Power Administration has notified PUD 3 that it will still be receiving the low density discount (LDD) through 2017. The discount saves the utility approximately \$1 million per year.

Mrs. Creekpaum gave an update relating to her appointment to the select pension committee for the state of Washington. She reported that the Department of Revenue (DOR) gave its annual report to the committee and she was impressed with the number of parallels PUD 3 shares with the DOR's guiding principles. Such as; having a one-team approach with the customer, starting with 'yes,' having a large appetite for change, problem solving focus, and customer satisfaction at the forefront, to name a few. She also noted that approximately \$45 million was paid out to Mason County last year.

Mrs. Creekpaum let the commission know that staff will be asking for a policy direction in the near future regarding capital improvements to deal with capacity growth and the need for additional substations. Such a decision can have an impact on budget and rates. She pointed out that the utility's current philosophy is that growth pays for growth, however she explained that in the past those capital expenses were melded and historically substations were owned by the Bonneville Power Administration. She noted that the growth-pays-for-growth philosophy works well for the distribution side of utility but gets more complicated when talking about the capacity side of the system. She has been querying other utilities, and staff will be putting together some analysis and recommendations for commission to consider and decide on soon.

At Mrs. Creekpaum's request, Mr. Holzgrove announced that next week is Public Power Week. He gave the commission an overview of the types of activities that the PUD's education committee puts on to celebrate the week. He noted that it kicks off with the safety demo at OysterFest, the Shuck & Share 5k run that benefits Project Share, and the energy expo which invites all of the 5th graders in Mason County and teaches them about electricity, public power, and how the PUD works.

At Mrs. Creekpaum's request, Mr. Myer gave a legislative update. He informed the commission about activities that may have an impact on PUD 3. Some of the issues he is watching include alternative energy/distributed generation, clean air rules, post 2020 renewables, and the carbon tax on the ballot. He also noted that the Northwest River Partners is pointing out that there were two biological opinions: One focused on fish promotion and dams and the other on hatcheries and harvesting. He noted that some of the supporters of the former may not necessarily support the latter.

Also at Mrs. Creekpaum's request, Mr. Myer spoke about the second phase of the rate increase that was adopted in September of 2015. He pointed out that the rate increase scheduled to go into effect for billings beginning October 1, 2016. He gave an overview of the communication plan to inform customers of the increase. He also made note that the utility will be highlighting low income programs designed to relieve the daily system charge for customers who qualify.

COMMISSIONERS REPORT

Mr. Farmer had no report but asked for information regarding electric vehicles. Mr. Holzgrove responded and informed the commission that he has been working on an electric vehicle charging program. He noted that he is happy to have customer questions directed to him.

Ms. Gott reported her attendance to the NoaNet meeting a couple of weeks ago where the board got the first look at next year's budget. She also pointed out that the board adopted Resolution No. 0155 for the defeasance of the 2011 bonds since NoaNet was able to roll the balance over to a bank loan. She said this was done to redefine its banking relationship with Wells Fargo Bank.

Ms. Gott also reported her attendance to a meeting for Energy Northwest where the law firm investigating the anonymous employee allegations gave its second report. She noted the report would be released in a couple of days.

GOOD OF THE ORDER

After a calendar review and with no further business appearing, the commission took a short break at 10:41.

Upon return, the commission went into executive session at 10:46 for the purposes of item 42.30.110(1) (iii) To discuss with legal counsel the legal risks of a proposed action or current practice. The executive session is expected to last approximately 10 minutes, with no action to follow.

At 10:56 the executive session adjourned and the regular meeting reconvened. With no further business appearing, the commission meeting adjourned at 10:56.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary